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Calendar No. 328

99TH CONGRESS
1st Session

SENATE

REPORT
99-145

AGRICULTURE, FOOD, TRADE, AND CONSERVATION ACT OF 1985

REPORT

OF THE

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
UNITED STATES SENATE

together with

ADDITIONAL VIEWS

TO ACCOMPANY

S. 1714

SEPTEMBER 30, 1985.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE
52-828 O
WASHINGTON : 1985

S163-5

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Calendar No. 328

99th Congress | SENATE | Report
1st Session | | 99-145

AGRICULTURE, FOOD, TRADE, AND CONSERVATION ACT OF 1985

September 30, 1985.—Ordered to be printed

Mr. Helms, from the Committee on Agriculture, Nutrition, and Forestry, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 1714]

The Committee on Agriculture, Nutrition, and Forestry, reports an original bill (S. 1714) to expand export markets for United States Agricultural commodities, provide price and income protection for farmers, assure consumers an abundance of food and fiber at reasonable prices, continue food assistance to low-income households, and for other purposes, and recommends that the bill do pass.

Introduction

PURPOSE AND NEED

The essential purpose of successful farm policy is to provide for a measure of stability in the agricultural sector, thereby increasing the opportunity for farmers to derive fair and reasonable profits in the marketplace. The aim of Federal farm policy is to induce elements of predictability into the inherently unpredictable business of farming.

Conditions of agricultural production require that farmers determine and implement their planting and marketing strategies well in advance of the return they might expect to receive from the sale of their crops. They must make such decisions in the face of inherently unpredictable forces over which they have little effective control—such as weather, pests and disease, international events and global economic conditions.

The agricultural sector in the United States is now undergoing its greatest stress since the massive deflation of the Great Depression. The origins of this stress are the result of a number of macroeconomic and geopolitical policy decisions going back for more than a decade. These include such developments as the collapse of the Bretton Woods Agreement in the early 1970's, the hyper-inflation and resulting speculative binge of the late 1970's, the grain embargo of 1980, and substantial reduction in the levels of inflation which resulted in a strong U.S. dollar and falling land values in the period 1981 through the present time.

In an effort to address the problems farmers have in earning profits in the past decade and a half of economic uncertainty and change, in the Agriculture and Food Act of 1981, Congress established specific levels for loan rates, target prices, and purchase prices. It was anticipated that the high levels of inflation would continue, and that in real, or inflation adjusted terms, these price supports would decline over the four year life of the bill. In addition, it was assumed that voluntary production control programs would be effective in helping balance supply and demand, thereby indirectly mitigating against economically unsound inducements to overproduction inherent in price supports that do not allow markets to send accurate production signals.

Of course, none of that happened. Inflation fell dramatically, from an annualized rate of about 18 percent in January 1981 to the present level of about 4 percent. Interest rates fell from an annualized rate of about 21.5 percent to 9.5 percent today. The dollar gained as much as 50 percent in value compared to other currencies, though it has declined considerably in recent months. Yet, loan rate, target price, and purchase price levels were not adjusted to reflect these fundamental changes in economic conditions. The price support rates and levels that were seen by many as penurious in 1981 suddently became massive inducements to over production, both by U.S. farmers and those abroad. The voluntary acreage reduction programs provided for by Congress further induced U.S. farmers to more intensely cultivate their adjusted acreage and to use the acreage diversion payments to purchase more inputs and technology to further increase yields and over-all production. Foreign farmers expanded their acreage and output in anticipation of U.S. reductions in production and under the protection of U.S. loan rates.

These circumstances, along with the expiration of the 1981 Act, have made the thorough review and consideration of agricultural and food legislation both timely and necessary.

Federal Farm policy

The paramount features of farm policy, from the time of the Great Depression until the late 1960's, were direct Federal involvement in farmer's planting and marketing decisions. Since the 1930's farm legislation had focused on two objectives: to enhance farm incomes and to stabilize farm prices. This has been attempted through a variety of programs, changing over time as frustration with the general ineffectiveness of the programs increased. An important transition began in the late 1950's. The system of high price supports and relatively ineffective limitations on production had brought a growth in farm output exceeding the demands of the market. Government costs rose, and so did the inventories of the Commodity Credit Corporation.

In the early 1960's the Kennedy Administration proposed mandatory supply controls in an effort to reduce growing budget costs, but Congress did not support such policies. An eventual compromise resulted in a gradual reduction in price supports to world price levels or below, with direct payments to farmers to encourage their participation in voluntary supply control programs. This approach, embodied in the Food and Agriculture Act of 1965, cut the link to providing income support through the pricing of agricultural commodities. In essence, price supports were reduced in order to provide a lower price floor and let market forces—particularly foreign demand—find the real value and price level. The 1965 Act's basic concept—price supports that permit the market to allocate resources, income support through direct payments, and voluntary methods of supply control—were contained in succeeding major farm Acts in 1970, 1973, 1977, and 1981, and are included in the bill as reported. This evolution of farm policy resulted in a movement away from the rigid acreage allotments and marketing quotas that so much frustrated the farm economy during the 1950's and early 1960's. Thus, there is something of a consensus about the structure of farm policy, with the parameters of the debate now being over the degree to which loan rates are competitive or not, and the degree to which income supports interfere with competitiveness and how much they cost. The new policy agenda was designed to provide farmers greater flexibility to adjust their production plans to meet changing market conditions.

The transition in commodity policy was clearly evident in the 1965–70 period. Average real loan rates for wheat, corn, and cotton were nearly 50 percent below those of 1955. The lowering of loan rates encouraged exports and permitted the eventual elimination of grain export subsidies. During the late 1960's, payments to crop farmers averaged about a third of their gross incomes. A significant proportion of acreage—about 20 percent of the total—was diverted into non-crop uses.

During the early 1970's growing world demand resulted in an explosion in agricultural exports from the United States, and dramatically reduced the importance of existing farm programs to crop farmers' incomes. Cropland diverted from production under commodity programs diminished rapidly in the 1970's, and Federal outlays for farm programs shrank to relatively small amounts.

At the time the 1981 Farm Bill was formulated, the principal concern was that world food needs would outpace production. Many observers believed that the great challenge of the 1980's and 1990's was going to be how to produce enough for a starving world, rather than how to deal with surpluses. Many also believed that the United States was the only country that possessed the potential to expand food production enough to meet world needs. Indeed, Congress was so little concerned about the long term potential for worldwide surpluses that it's reaction to the 1980 embargo of grain to the Soviet Union, imposed by the Carter Administration when the Soviets invaded Afghanistan, was to increase loan rates and price supports. There was simply no substantial consideration given to the fact that increasing the economic inducements for production could actually result in undesirable global surpluses. Congress saw its challenge simply as one to cushion U.S. farm income from the loss of the Russian market.

The 1981 Farm Bill was developed in a climate of extreme optimism for growth in exports and pessimism over controlling inflation as land prices were escalating beyond what any farmer could pay out of production revenues. The Reagan Administration asked Congress to adopt a bill that allowed for flexibility in loan rates, target prices, and purchase prices because at that time it had become evident that indexed entitlement programs were causing a major part of the budget deficit problem. However, Congress insisted upon provisions for higher loan rate minimums and annual target price increases of 3 to 5 percent, and the Administration agreed, seeing the bill as a workable compromise.

However, by 1985 it was evident that the loan rates and purchase prices were clearly above market clearing levels, and that target prices thought at the time to provide only moderate income support turned out to become substantial inducements to production at home and abroad.

At the same time, the world became gripped in the worst and most pervasive recession in modern history. With this came a downturn in world demand that saw U.S. agricultural export volume decline for the first time in 13 years, though it remained at levels more than 7 times that of 1970. A sharp rise in debt worldwide restricted the ability of many countries to import since an increasingly large portion of their income was required to service debt.

Meanwhile, the value of the dollar steadily increased as foreign investors sought the security and high rates of return from American investments. The increase in the value of the dollar meant U.S. products were becoming more expensive in terms of the local currencies of our foreign customers and competitors. Thus, American products became less competitive in world markets.

To make matters worse, the downturn in world demand was accompanied by increased tariffs and subsidization practices by some of our major foreign competitors—most notably the European Economic Community. Other factors beyond anyone's control, such as the weather, also compounded U.S. problems during this period of stagnant demand. Unusually good weather worldwide during 1981, 1982, and 1985 growing seasons resulted in record crops at home and good crops abroad.

In the autumn of 1982 it became obvious that the traditional commodity programs were not going to deal effectively with the massive surpluses mounting everywhere. Indeed, the relatively high price supports caused farmers to receive no economic signal except to continue to increase production.

As a stopgap measure, the Administration adopted a massive acreage reduction scheme called payment-in-kind or PIK. About 80 million acres were removed from the U.S. production base in 1983, and farmers were paid some $9 billion in CCC surplus commodities.

PIK achieved its objective of eliminating the price depressing and costly-to-store commodities that had been forfeited by farmers to the CCC. This was particularly so because 1983 turned out to be the worst drought in the history of agriculture in 50 years. However, because the world debt level remains high, and the dollar remains strong, and price supports are still above market clearing levels, CCC inventories had, by the time Congress began considering the 1985 farm bill, climbed to levels similar to late 1982.

As income support for farmers came to be of increasing interest to Congress, outlays for farm programs increased dramatically during the period 1982–1985, to a level expected to exceed $63 billion over the four year period. This compares to the $11 billion the 1981 Act was estimated to cost at the time of its enactment, and is more than 3 and a half times the cost of the 1977 Act. Farm programs operate as "entitlements" for eligible producers, and payments and price supports are calculated by each commodity's unit of production—bushels, pounds, and hundredweights. With massive surpluses driving prices downward, more and more farmers find it necessary and desirable to participate in the programs to become eligible for the income supports. As a consequence, participation and eligibility for payments has soared, though large numbers of farmers still do not participate. Indeed, only about 25 percent of gross farm receipts come from commodities covered under farm programs. Fifty percent comes from livestock production, and another 25 percent from perishable commodities, most of which have no subsidy programs. And, because farm subsidies are paid in proportion to a farmer's production, rather than his particular need for assistance, the greatest payments go to the largest farmers of wheat, feed grains, cotton, and rice. Even with a payment limitation of $50,000, 4 percent of farmers receive 48 percent of the direct subsidy payments under farm programs.

The farm income issue will continue to be a major theme for some in Congress who argue for higher commodity subsidies and spending. However, there is minimal correlation between farm income and commodity programs.

[In billions of dollars]

	Net farm income	Net cash income
1980	20.5	37.6
1981	30.5	35.8
1982	25.3	38.3
1983	15.8	38.3
1984	34.6	39.1
1985e	24.5	37.0

Net cash income, the best measure of farm income, clearly shows that the real farm income picture has been relatively stable. Net farm income has been unstable, as it always is, because the figures do not take into account crops and livestock held but not sold.

Of greater concern is the degree to which farm operations are in financial stress because of large debt-to-asset ratios. However, commodity programs do not discriminate between those 20 percent of farmers facing real stress—(those farmers with debt-to-asset ratios above 40 percent and negative cash flows), plus the additional 10 percent whose operations still have a positive cash flow, but have debt-to-asset ratios above 40 percent—and those 70 to 80 percent who are not facing negative cash returns and whose debt-to-asset ratios are below 40 percent.

After more than 4 months of mark-up sessions, on September 19, 1985, the Committee by a vote of 10 to 6 ordered reported to the Senate a bill, which retains the general framework of farm bills adopted since 1965. Included in the legislation is a reduction in the loan rates and provision for their further significant reduction at the discretion of the Secretary of Agriculture under certain specific conditions. Also included is a provision for reduction in milk purchase prices in 1987 under certain conditions. However, the bill also provides for an effective increase in target prices for wheat, and a freeze in target prices for the life of the bill for feed grains, cotton, and rice.

As reported, the bill is estimated to spend $47.7 billion for farm and farm credit programs during the next three fiscal years, according to the Congressional Budget Office. According to USDA, the bill will result in outlays of $54 billion over three years. S. Con. Res. 32, the First Concurrent Resolution on the Budget for fiscal year 1986, assumed spending levels of $38.8 billion over three years for the farm program and farm credit functions.

In addition to these and other commodity programs, the bill, as reported, deals with a number of other vital areas of interest and concern. These include the Food Stamp program, and other significant features of farm policy such as soil and water conservation, exports, research, farm credit, and several miscellaneous matters of interest to the agricultural sector.

Summary of Major Provisions

TITLE I—AGRICULTURAL EXPORTS AND PUBLIC LAW 480

A. Agricultural exports

The agricultural export provisions of the bill would—

(1) Authorize the Secretary of Agriculture through the Commodity Credit Corporation (CCC) to guarantee the repayment of loans under the intermediate export credit program to finance export sales of U.S. agricultural commodities and the products thereof. Under this section—

(a) The Secretary is authorized to guarantee loans of more than 3 years and not more than 10 years to finance export sales of agricultural commodities;

(b) The purposes for which intermediate credit financing and guarantees may be provided are expanded to include financing the food and fiber needs of developing countries and otherwise promoting the export sales of U.S. agricultural commodities;

(c) The Secretary is encouraged to finance or guarantee export sales to purchasers from countries that are previous recipients of credit under title I of P.L. 480, and that are friendly countries and purchasers unable to utilize other

Department of Agriculture short-term export credit programs;

(d) The repayment of loans financed or guaranteed is required to be in dollars with a rate of interest determined by the Secretary;

(e) The requirement that agreements to finance export sales of agricultural commodities are subject to review by the Secretary or the National Advisory Council on International Monetary and Financial Policies is deleted;

(f) The cargo preference laws do not apply to export sales financed or guaranteed under this provision;

(g) For purposes of financing or guaranteeing export sales, the CCC is required to make available no less than $500,000,000, to the extent practicable, for fiscal year 1985, no less than $1,000,000,000 for each of the fiscal years 1986 through 1988, and no more than $1,000,000,000 for fiscal years 1989 through 1991.

(2) Require the CCC to make available no less than $5,000,000,000 in short-term export credit guarantees for each of the fiscal years 1986 through 1989. The amendment would also require the CCC, when making repayment guarantees available on terms of up to 3 years in connection with export sales of U.S. agricultural commodities, to take into account the credit needs and creditworthiness of countries that are potential purchasers of U.S. agricultural commodities and whether the availability of CCC guarantees will improve the competitive position of U.S. agricultural exports.

(3) Extend the Agricultural Export Credit Revolving Fund through September 30, 1989.

(4) Require the Secretary to use no less than $325 million of CCC funds or CCC-owned commodities for each of fiscal years 1986, 1987, and 1988 and such funds or commodities as the Secretary deems necessary for each of the fiscal years 1989 through 1991 for assistance in the export of U.S. agricultural commodities and products adversely affected by price or credit subsidies or unfair marketing arrangements or trading practices employed in connection with foreign agricultural exports. The provision would require the Secretary to provide export assistance under this provision on a priority basis for agricultural commodities or products for which a favorable decision under section 301 of the Trade Act of 1974 had been made.

(5) Require the Secretary to sell for export, at prices the Secretary determines appropriate, at least 150,000 metric tons of CCC-owned dairy products in each of the fiscal years 1986, 1987, and 1988 and to report semiannually to the Senate and House agriculture committees on the volume of dairy sales made under this section.

(6) Require that agricultural commodities and products acquired by the CCC be provided at no cost to U.S. exporters, users, and processors, and foreign purchasers to encourage development, maintenance, and expansion of export markets for U.S. agricultural commodities, including value-added or high-value agricultural products. Such commodities may also be provided to countries that do not meet the financial qualifications

for export credit or credit guarantees provided by the CCC in order to reduce the cost to such countries of purchasing U.S. agricultural commodities. The Secretary is also authorized to use CCC-owned commodities in conjunction with intermediate credit programs for the export sale of breeding animals, and the establishment of facilities in the importing nation to improve the handling, marketing, processing, storage, or distribution of imported agricultural commodities. Under the export bonus program—

(a) Domestic users must be provided equal treatment relative to foreign purchasers and users in cases where domestic users may be disadvantaged as a result of the program;

(b) All interested foreign purchasers are to be considered for participation, with priority given to those who have traditionally purchased U.S. agricultural commodities and who continue to make such purchases in excess of purchases during a representative period;

(c) CCC commodities must be used to encourage increased use and avoid displacing usual marketings of the United States;

(d) Reasonable precautions must be taken to prevent resale or transshipment of commodities whose export is assisted under the provision;

(e) Supplemental distributions of commodities may be made to foreign purchasers who sell the commodities in the importing country and use the proceeds for the construction or rehabilitation of facilities in the importing country to improve the marketing, storage, or distribution of U.S. agricultural commodities in the importing country.

(f) The Secretary is authorized, in carrying out this section, to make green dollar export certificates available to commercial exporters of U.S. agricultural commodities. These certificates could be redeemed by the exporter for CCC-owned commodities.

(g) The Secretary is required to use no less than $2,000,000,000 of agricultural commodities and products to carry out this section during the period October 1, 1985 through September 30, 1988.

(7) Declare findings of Congress concerning open and fair trade and the unfair trading practices of other countries; declare U.S. policy to be that of promoting free and active world trade in agricultural goods and reducing or eliminating U.S. restrictions on imports of agricultural goods; and express the sense of the Congress that the President should initiate a new round of multilateral trade negotiations to strengthen the General Agreement on Tariffs and Trade (GATT), improve the dispute settlement procedures of the GATT, bring agricultural trade issues within the purview of strengthened and more effective GATT rules and procedures, and clarify the intent of and bring uniformity to the interpretation of Article XVI of GATT.

(8) Declare the sense of Congress that the Foreign Agricultural Service should place emphasis on funding an export

market development program for value-added farm products and processed foods at a higher funding level than that provided during fiscal year 1985.

(9) Require consultation between the head of the Foreign Agricultural Service and the heads of other appropriate agencies of the Department of Agriculture, including the Administrator of the Animal and Plant Health Inspection Service, before relaxing or removing any restriction on the importation of any agricultural commodity into the United States. The Secretary would also be required to consult with the United States Trade Representative before removing or relaxing any import restrictions on agricultural commodities. Department of Agriculture personnel assigned to participate in negotiations of trade agreements, protocols or procedures with foreign governments with respect to a specific agricultural commodity, class of commodities or product of an agricultural commodity would be required to consult with the Agricultural Policy Advisory Committee and the appropriate Agricultural Technical Advisory Committee regarding agricultural practices and industry procedures before concluding any agreement with any foreign government on any agricultural trade matter pertaining to the agricultural commodity, class of commodities, or product.

(10) Require appropriate Department of Agriculture officers and employees stationed in foreign countries to submit annually to the Secretary detailed reports documenting the nature and extent of (A) programs in the foreign countries that provide direct or indirect government support for the export of agricultural commodities or products and (B) other trade practices tha may impede the entry of U.S. agricultural commodities and products into the countries. The reports would also have to identify opportunities for the export of U.S. agricultural commodities and products to the countries in which the officers and employees are stationed. The Secretary would be required to compile information contained in the reports each year and to make the information available to Congress, the Agricultural Policy Advisory Committee and the Agricultural Policy Advisory Committee and the Agricultural Technical Advisory Committees, and other interested parties. The Secretary and the Trade Representative would be required to convene a meeting, at least once a year, of the Agricultural Policy Advisory Committee and the Agricultural Technical Advisory Committees to develop specific recommendations for reducing or eliminating trade barriers or distortions identified in the annual reports and for expanding U.S. agricultural export opportunities identified in the annual reports. The President would be encouraged to commence negotiations with other countries to reduce or eliminate trade barriers or distorations identified in the annual reports and to report periodically to Congress on actions taken to accomplish those objectives.

(11) Limit to payments the form of compensation that may be made to producers of agricultural commodities for which export controls have been imposed.

(12) Revise the authorities of the Department of Agriculture concerning the barter or or exchange of agricultural commod-

ities for strategic and critical materials. In addition, this section would—

(a) Require the CCC, to the maximum extent practicable and in consultation with the Secretary of State, to accept strategic and critical materials produced abroad in exchange for CCC commodities;

(b) Require the Secretary of Agriculture in effecting the exchange of goods to use normal commercial trade channels, avoid displacing usual marketings of U.S. agricultural commodities, and take reasonable precautions to prevent resale or transshipment of commodities;

(c) Authorize the CCC to solicit bids from, and utilize, private trading firms to barter for strategic or other materials;

(d) Require the CCC to be reimbursed for the strategic and critical materials in the same fiscal year the materials are transferred to the stockpile; and

(e) Require the CCC, if the volume of petroleum products stored in the Strategic Petroleum Reserve is less than the level prescribed by law, to the maximum extent practicable, with approval of the Secretary of Agriculture and in consultation with the Secretary of Energy and the Secretary of State, to accept petroleum products in exchange for CCC commodities and to transfer such products, without reimbursement, to the Strategic Petroleum Reserve.

(13) Clarify the application of the cargo preference laws to certain activities of the Secretary of Agriculture or the Commodity Credit Corporation. The provision specifically would provide that the cargo preference laws do not apply to export activities of the Secretary or the CCC—

(a) under which CCC-owned stocks of agricultural commodities or products are made available to U.S. exporters, users, processors, or foreign purchasers for the development, maintenance, or expansion of U.S. agricultural export markets;

(b) under which CCC guarantees of commercial credit are blended with CCC direct credits to reduce the effective interest rate on export sales of U.S. agricultural commodities and products;

(c) under which CCC credit or credit guarantees are extended for not more than 3 years to finance or guarantee export sales of U.S. agricultural commodities or products; or

(d) undertaken for the purpose of promoting the export of U.S. agricultural commodities or products, if the Secretary determines that such activities are necessary to cause such commodities or products to become or remain competitive under conditions prevailing in international trade.

The bill would make no change in the application of the cargo preference laws to the export activities of the Secretary or the CCC when these activities are carried out under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) or subsections (a), (b), and (c) of section 416 of the Agricultural Act of 1949.

(14) Authorize the Secretary, effective October 1, 1985, to make grants to States, on a fifty-fifty matching basis, for the purpose of paying the costs of construction, employing personnel, acquiring equipment, and taking other action relating to the expansion of existing international trade development centers in the United States to enhance the exportation of U.S. agricultural products and related products.

B. Public law 480 and related programs

The Public Law 480 and related program provisions of the bill would—

(1) Revise the authority to finance the sale of U.S. agricultural commodities under title I of Public Law 480 as follows:

(a) Require that at least 25 percent of the aggregate value of title I sales, or 500,000 metric tons (whichever is greater), but not more than 50 percent of such sales be sales for foreign currencies. (The actual amounts of commodities sold for foreign currencies could drop below 500,000 metric tons per year, if certain conditions are met in each of fiscal years 1986, 1987, and 1988.) The terms and conditions of such sales will be established by the Secretary of Agriculture. The foreign currency generated by these sales will be converted into dollars over a 10- to 30-year time period, the conversion to begin on a date 10 years after the sale of the commodities.

(b) Authorize the Secretary to enter into agreements with financial intermediaries in foreign countries under which the Secretary would lend the foreign currency generated from commodity sales to the intermediary and the intermediary would, in turn, use the currency to make loans to finance private enterprise investment within the developing country at reasonable rates of interest.

(c) Require that financial intermediaries give preference to agriculture and agriculturally related enterprises when making loans. The financial intermediaries must repay the currency loaned by the Secretary in time for the currency to be converted to dollars.

(d) Specify that only local citizens can own the entities receiving financing from financial intermediaries, except that U.S. citizens may own up to 25 percent of any such entity.

(e) Provide that the rate of interest charged on loans made to a financial intermediary will be negotiated between the Secretary and the financial intermediary. The Secretary may give preferential rates of interest to cooperatives and private nonprofit voluntary agencies that act as financial intermediaries to help defray their "start-up" costs as financial intermediaries.

(f) Specify that the amount of foreign currency loaned to financial intermediaries in a given country cannot exceed the amount that can be productively used and absorbed in the private sector in that country.

(g) Require that the Secretary, to the maximum extent practicable, use at least 5 percent of the foreign currencies initially obtained from the sale of agricultural commodities for agricultural technical assistance, including the funding of market development activities.

(2) Revise title II as follows:

(a) Require that the following amounts of agricultural commodities be distributed for nonemergency purposes under title II of Public Law 480:

[Million metric tons]

Fiscal year:	
1986	1.9 * (1.425)
1987	1.9 * (1.425)
1988 and subsequent fiscal years	1.7 * (1.275)

*The starred amounts represent the minimum amounts of food for nonemergency distribution programs that must be distributed through nonprofit voluntary agencies and the World Food Program.

(b) Require that, in distributing commodities under title II, the President must consider the nutritional needs of the recipients, the purpose of the Title, the cost effectiveness of the commodities, and the benefits to be derived by the United States from distributing commodities in the form of processed and fortified products and provide at least 75 percent of the title II nonemergency minimum quantity of commodities in the form of processed or fortified foods or bagged commodities.

(c) Encourage the President to enter into multiyear agreements with nonprofit voluntary organizations, cooperatives, and international organizations for nonemergency commodity distribution under title II.

(d) Empower the President to authorize nonprofit voluntary organizations to establish local food reserves for subsequent use in combatting famine and other food shortage emergencies or to limit disincentives to local agricultural production which could arise from the immediate distribution of the commodities.

(e) Authorize the sale of commodities provided to nonprofit voluntary agencies and cooperatives by such agencies (monetization) and the use of the proceeds for activities to enhance the food assistance programs carried out by these agencies.

(f) Require that a minimum of 5 percent of the commodities distributed under nonemergency title II programs by nonprofit voluntary agencies and cooperatives be monetized. In carrying out the monetization, the President must safeguard usual U.S. commodity marketings; not permit the use of such funds for personnel and administrative costs of cooperating sponsors, distributing agencies, and recipient agencies (other than local cooperatives), and not permit the funds to replace resources otherwise available to nonprofit voluntary agencies and cooperatives.

(g) Urge the President to establish a task force on food assistance to study ways to provide food (under P.L. 480) to the most nutritionally needy persons in recipient countries.

(h) Require nonprofit voluntary agencies and cooperatives to disclose the intended uses of any funds to be generated through the monetization of commodities at the time the entity makes it request for the commodities.

(3) Lower the aggregate minimum value of title III Food for Development agreements from 15 percent of the aggregate value of all title I agreements made that year to 10 percent of such agreements.

(4) Broaden the Secretary's authority to distribute eligible commodities under section 416 of the Agricultural Act of 1949 to include all commodities and products acquired by the Commodity Credit Corporation through price support operations and make other changes in this authority as follows:

(a) Specify that eligible commodities may not be made available for foreign donation under section 416 in amounts that will reduce the amount of eligible commodities traditionally donated to domestic feeding programs or agencies.

(b) Provide that eligible commodities may not be made available for foreign donation under section 416 unless there are sufficient storage facilities for the commodities, the commodities will not displace U.S. commodity sales, and the commodities will not interfere with local commodity production and marketing. The safeguarding of usual marketings cannot be used to prevent the distribution of eligible commodities for use in countries that—

(i) have not traditionally purchased them from the United States, or

(ii) do not have the resources to purchase them from the United States through commercial sources or commissioned sales.

(c) Requires the Secretary to estimate and announce the types and amounts of commodities that the Secretary anticipates will be available for distribution.

(d) Expand the purposes for which eligible section 416 commodities may be sold or bartered to include (1) the payment of processing and handling costs incurred in connection with the donation of these commodities and (2) if requested by a cooperative or nonprofit voluntary agency, the generation of funds (from the sale of commodities donated to these entities) to enhance the effectiveness of the entity's food assistance programs.

(e) Requires that a minimum of 5 percent of the aggregate value of the eligible commodities distributed to nonprofit voluntary agencies and cooperatives be monetized in the same manner as is provided for monetization under the amendments made by this bill to Title II of Public Law 480.

(f) Specify that at least 400,000 metric tons of eligible section 416 commodities must be furnished to cooperatives and nonprofit voluntary agencies and the World Food Program each fiscal year for distribution in developing countries. The President can waive this requirement if he determines and reports to Congress, together with his reasons, that this quantity cannot be effectively used by the recipients. Neither the Secretary nor CCC is required to purchase commodities for donation under this program.

(5) Authorize the President to donate up to 500,000 metric tons of eligible section 416 commodities in each of the fiscal years 1986 through 1989 under a new Food for Progress program to promote private free enterprise policy and development. In return for the commodities, the recipient country must promote economic freedom in the production of food for domestic consumption and must be able to use the donated commodities without disrupting its own domestic agricultural markets. The Commodity Credit Corporation may pay the costs of processing, packaging, transportation, and handling of the donated commodities, as well as purchase commodities and products for program use if CCC does not hold such stocks or if CCC stocks are not sufficient to meet commitments made under the program. The President must carry out this program through his National Security Advisor.

(6) Require the President to appoint, with the advice and consent of the Senate, a Special Assistant for Agricultural Trade and Food Aid. This Special Assistant will have cabinet rank and will assist and advise the President on U.S. domestic and foreign food assistance programs; coordinate and streamline the administration of food assistance programs carried out by the Department of Agriculture and the Agency for International Development; recommend ways to increase and encourage the use and consumption of U.S. agricultural commodities through food assistance; serve as a member of the Development Coordination Committee and as chairman of that Committee's Food Aid Subcommittee; and issue food assistance policy guidelines to Federal departments and agencies to assure the coordination of food assistance programs. In addition, the Special Assistant may solicit information on and recommend steps to promote the export of U.S. agricultural commodities and expand U.S. export markets; develop and recommend national agricultural policies that will foster and promote the U.S. agriculture industry; and examine Federal Government programs and activities for their effect on agriculture.

TITLE II—DAIRY

The dairy provisions of the bill would—

(1) Require, effective October 1, 1985, through September 30, 1989, that the price of milk be supported through the purchase of milk and milk products at a level equivalent to $11.60 per hundredweight for milk containing 3.67 percent milkfat, except that—

(a) On January 1, 1987, if the Secretary of Agriculture estimates that for the succeeding 12-month period beginning on such date net price support purchases of milk or milk products would exceed 5 billion pounds milk equ[illegible] lent, the Secretary would be required to reduce the price support level by 50 cents per hundredweight; and

(b) On January 1, 1988, and January 1, 1989, the Secretary estimates that for the succeeeding 12-month period net price support purchases of milk or milk products would—

(i) exceed 10 billion pounds or more milk equivalent, the Secretary would be required to reduce the price support level by $1.00 per hundredweight, or in the Secretary's discretion, by an amount determined by a cost of production index established by the Secretary;

(ii) exceed 5 billion but be less than 10 billions pounds milk equivalent, the Secretary would be required to reduce the price support level by 50 cents per hundredweight or, in the Secretary's discretion, by an amount using such index; and

(iii) be less than 2 billion pounds milk equivalent, the Secretary would be authorized to increase the price support level by at least 50 cents per hundredweight or, in the Secretary's discretion, by an amount using such index;

(2) Extend though December 31, 1989 the current provisions of the Federal milk marketing law relating to authority for seasonal base-excess plans, seasonal takeout-payback (Louisville) plans, mandatory hearings on amendments to milk marketing orders, and the use of milk production capacity as part of the pricing standard used by the Secretary in setting milk prices under a marketing order;

(3) Extend through September 30, 1989 the requirement that the CCC make dairy products available, without charge, to veterans' hospitals and the military;

(4) Make clear that the label status of producer-handlers would not be changed under the provisions of the amendment;

(5) Extend through September 30, 1989 authority for indemnity payments to dairy farmers who sustain losses as a result of pesticides, nuclear radiation or fallout, or from other chemicals or toxic substances; and

(6) Require the Secretary to conduct a study of the differentials used to adjust the minimum price for class I milk under Federal milk marketing orders, with particular emphasis on the differentials used for the delivery locations of such milk to handlers and to report within 1 year of enactment of the bill the results of the study, with any recommendations for necessary legislation, to the Senate and House agriculture committees.

TITLE III—WOOL AND MOHAIR

The wool and mohair provisions of the bill would—

(1) extend the price support program for wool and mohair through December 31, 1989 as follows:

(a) Continue the support level for wool at 77.5 percent of an amount determined under statutory formula;

(b) Continue the support level for pulled wool and mohair in relation to the level for shorn wool;

(2) Establish a limitation of $50,000 on the amount of payments a person may receive under the wool and mohair price support program for any marketing year; and

(3) Expand the authority of the Secretary of Agriculture to enter into or to approve agreements for advertising and sales promotion programs which may be conducted outside of the United States for the purpose of maintaining and expanding foreign markets and uses to include programs for U.S. wool and sheep in addition to such programs for mohair and goats, or their products.

TITLE IV—WHEAT

The wheat provisions of the bill would—

(1) Provide for a loan and purchase program for the 1986 through 1989 crops of wheat. If marketing quotas are not in effect for wheat, loans and purchases would be made available to producers at (a) not less than $3.00 per bushel for the 1986 crop and (b) not less than 75 percent nor more than 85 percent of the average price received by producers during the immediately preceding 5 marketing years, excluding the high and low years, for the 1987 through 1989 crops. The loan rate could not be reduced by more than 5 percent from the level for the preceding year's crop. For the 1986 through 1989 crops, the Secretary of Agriculture would also be authorized to reduce further the loan rates by not more than 20 percent if the average market price of wheat in the previous marketing year is not more than 110 percent of the loan level for that year. Any such reduction would not be considered in determining the loan level in subsequent years.

If marketing quotas are in effect, loans and purchases would be made available at the higher of 75 percent of the national average cost of production of wheat or $3.55 per bushel.

(2) Require the Secretary to permit the repayment of loans at the lower of (a) the loan rate established for the crop or (b) the higher of (i) 70 percent of the loan rate established for the crop, or (ii) if the loan level was reduced using the so-called Findley provisions, above, 70 percent of the loan rate that would have been in effect but for such reduction, or (ii) the prevailing world market price, as determined by the Secretary;

(3) Authorize the Secretary to make payments available to producers who agree to forgo obtaining loans in return for such payments. Payments would be made in amounts equal to the loan payment rate multiplied by the amount of wheat the producer is otherwise eligible to place under loan. The amount of wheat eligible to be placed under loan could not exceed the farm program acreage for the crop multiplied by the farm program payment yield. The loan payment rate would be the amount by which the loan rate established for the crop exceeds the level at which the loan could be repaid;

(4) Require the Secretary to make available deficiency payments for the 1986 through 1989 crops of wheat using the same

formula as under current law except that producers would not be required to plant more than 50 percent of their base or permitted acreage in order to qualify for such payments. For the 1986 through 1989 crops, the target price would be $4.55 per bushel on the first 20,000 bushels of production and $4.00 per bushel on any additional bushels.

If marketing quotas are in effect for any crop of wheat, the target price would be the higher of the national average cost of production of wheat or $4.65 per bushel;

(5) Require the Secretary to make prevented planting and reduced yield disaster payments available to producers for whom Federal crop insurance is not available. The Secretary would also have discretionary authority to make such disaster payments available to any wheat producer if disaster losses have created an economic emergency that cannot be alleviated by crop insurance and other assistance programs;

(6) Authorize acreage limitation and set-aside programs for wheat (with a maximum limitation or set-aside of 20 percent) if needed to protect overproduction. The Secretary would be required to announce any such wheat acreage limitation or set-aside program not later than July 1 (with authority to change the program up to July 31) prior to the calendar year in which the crop is harvested. The acreage base for determining any such reduction would be the average acreage planted to wheat in the 5 crop years immediately preceding the year for which the determination is made. Haying and grazing in 1986, and grazing in 1987 through 1989, of the acreage required to be devoted to conservation uses would be permitted at the option of the State ASC Committee. In no event could the total acreage base for any farm exceed the total acreage of cropland on the farm;

(7) Authorize the Secretary to make land diversion payments, regardless of whether an acreage limitation or set-aside program is in effect, if the Secretary determines that land diversion payments are necessary to assist in adjusting the total national acreage of wheat to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into by the Secretary;

(8) Authorize the Secretary to make payments available to producers who forgo obtaining a loan, who forgo receiving deficiency payments, who do not plant wheat for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production, and who otherwise comply with the provisions of the bill. Payments would be made in the form of wheat owned by the CCC, subject to availability, and would be in amounts equal to the loan payment rate (the amount by which the loan rate established for the crop exceeds the level at which loans may be repaid) multiplied by the amount of wheat the producer is otherwise eligible to place under loan; and

(9) Require the Secretary to conduct a poll not later than April 1, 1986, to determine whether producers favor conducting a marketing quota referendum for wheat. Producers eligible to

vote would include those producers who produced wheat during at least one of the 1981 through 1985 crop years. If 50 percent of those polled favor a referendum, the Secretary would be required to conduct such a referendum not later than August 1, 1986. If approved in a referendum by 60 percent or more of the producers voting, marketing quotas would be in effect for the 1987 through 1989 crops. If marketing quotas are in effect, the marketing of wheat in excess of the farm marketing quota would be subject to penalty.

TITLE V—FEED GRAINS

The feed grains provisions of the bill would—

(1) Provide for a loan and purchase program for the 1986 through 1989 crops of feed grains. Loans and purchases would be made available to producers at not less than $2.40 per bushel for the 1986 crop of corn and not less than 75 percent nor more than 85 percent of the average price received by producers during the immediately preceding 5 marketing years, excluding the high and low years, for the 1987 through 1989 crops of corn. The loan rate could not be reduced by more than 5 percent from the level for the preceding year's crop. For 1986 through 1989 crops, the Secretary of Agriculture would also be authorized to reduce further the loan rates by not more than 20 percent if the average market price of corn in the previous marketing year is not more than 110 percent of the loan level for that year. Any such reduction would not be considered in determining the loan level in subsequent years.

Loans and purchases for grain sorghums, barley, oats, and rye would be made at levels that are fair and reasonable in relation to the level of loans and purchases for corn;

(2) Require the Secretary to permit the repayment of loans at the lower of (a) the loan rate established for the crop or (b) the higher of (i) 70 percent of the loan rate established for the crop, or (ii) of the loan level was reduced using the so-called Findley provision, above, 70 percent of the loan rate that would have been in effect but for such reduction, or (iii) the prevailing world market price, as determined by the Secretary;

(3) Authorize the Secretary to make payments available to producers who agree to forgo obtaining loans in return for such payments. Payments would be made in amounts equal to the loan payment rate multiplied by the amount of feed grains the producer is otherwise eligible to place under loan. The amount of feed grain eligible to be placed under loan could not exceed the farm program acreage for the crop multiplied by the farm program payment yield. The loan payment rate would be the amount by which the loan rate established for the crop exceeds the level at which the loan could be repaid;

(4) Require the Secretary to make available deficiency payments for the 1986 through 1989 crops of feed grains to producers of corn, grain sorghums, oats, and, if designated by the Secretary, barley, using the same formula as under current law except that producers would not be required to plant more than 50 percent of their base or permitted acreage in order to

qualify for such payments. The target price for corn, for the 1986 through 1989 crops, would not be less than $3.03 per bushel;

(5) Require prevented planting and reduced yield disaster payments for producers for whom Federal crop insurance is not available in the same manner as for wheat;

(6) Authorize acreage limitation and set-aside programs for feed grains (with a maximum limitation or set-aside of 15 percent) if needed to protect against overproduction. The Secretary would be required to announce any such acreage limitation or set-aside program not later than November 15 prior to the calendar year in which the crop is harvested. The acreage base for any reduction would be the average acreage planted to feed grains for harvest in the 5 crop years immediately preceding the year for which the determination is made. In no event could the total acreage base for any farm exceed the total acreage of cropland on the farm;

(7) Authorize the Secretary to make land diversion payments, regardless of whether an acreage limitation or set-aside program is in effect, if the Secretary determines that land diversion payments are necessary to assist in adjusting the total national acreage of feed grains to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into by the Secretary; and

(8) Authorize the Secretary to make payments available to producers who forgo obtaining a loan, who forgo receiving deficiency payments, who do not plant feed grains for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production, and who otherwise comply with the provisions of the bill. Payments would be made in the form of feed grains owned by the CCC, subject to availability, and would be in amounts equal to the loan payment rate (the amount by which the loan rate established for the crop exceeds the level at which loans may be repaid) multiplied by the amount of feed grains the producer is otherwise eligible to place under loan.

TITLE VI—COTTON

The cotton provisions of the bill would—

(1) Require the Secretary of Agriculture to make available to producers of upland cotton nonrecourse loans for a term of 10 months. For the 1986 crop, the loan level could not be less than 55 cents per pound. For the 1987 through 1989 crops, the loan level would be the higher of (i) 85 percent of the average United States spot market price during the 3 years of the 5-year period ending July 31 in the year in which the loan level is announced, with the high and low years excluded, or (ii) 50 cents per pound. The loan level may not be reduced by more than 5 percent from the level determined for the previous year's crop;

(2) Require the Secretary to announce the loan level for upland cotton no later than November 1 of the calendar year

preceding the marketing year for which the loan is to be effective;

(3) Authorize the extension of loans, at the producer's request, for an additional 8 months beyond the normal 10-month term unless the average price of upland cotton for the preceding month exceeded 130 percent of the average price for the preceding 36 months in which event a special import quota would be proclaimed;

(4) Require the Secretary to permit the repayment of loans by producers at the lower of the loan rate established for the crop or the prevailing world market price, except that for the 1987 through 1989 crops, if the world market price is less than 80 percent of the loan rate established for the crop, the Secretary may permit repayment at a level not in excess of 80 percent of the loan rate established for the crop;

(5) Authorize the Secretary to make payments available to producers who agree to forgo obtaining loans in return for such payments. Payments would be made in amounts equal to the loan payment rate multiplied by the amount of upland cotton the producer is otherwise eligible to place under loan. The amount of upland cotton eligible to be placed under loan could not exceed the farm program acreage for the crop multiplied by the farm program payment yield. The loan payment rate would be the amount by which the loan rate established for the crop exceeds the level at which the loan could be repaid;

(6) Require the Secretary to make available deficiency payments to producers for the 1986 through 1989 crops of upland cotton using the same formula as under current law, except that producers would not be required to plant more than 50 percent of their base or permitted acreage in order to qualify for such payments. The target price for upland cotton, for the 1986 through 1989 crops, would be not less than 81 cents per pound;

(7) Require prevented planting and reduced yield disaster payments to producers for whom Federal crop insurance is not available in the same manner as for wheat;

(8) Authorize acreage limitation and set-aside programs for cotton (with a maximum limitation or set-aside of 20 percent) if needed to protect against overproduction. The Secretary would be required to announce any such cotton acreage limitation or set-aside program not later than November 1 prior to the calendar year in which the crop is harvested. The acreage base for any reduction would be, for the 1986 crop, the average acreage planted to upland cotton for harvest in the 2 previous years, for the 1987 crop, the average acreage planted to upland cotton for harvest in the 3 previous years, for the 1988 crop, the average acreage planted to upland cotton for harvest in the 4 previous years, and, for the 1989 crop, the average acreage planted to upland cotton for harvest in the 5 previous years. In no event could the total acreage base for any farm exceed the total acreage of cropland on the farm.

(9) Authorize the Secretary to make land diversion payments, regardless of whether an acreage limitation or set-aside

program is in effect, if the Secretary determines that land diversion payments are necessary to assist in adjusting the total national acreage of upland cotton to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into by the Secretary;

(10) Authorize the Secretary to make payments available to producers who forgo obtaining a loan, who forgo receiving deficiency payments, who do not plant upland cotton for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production, and who otherwise comply with the provisions of the bill. Payments would be made in the form of cotton owned by the CCC, subject to availability, and would be in amounts equal to the loan payment rate (the amount by which the loan rate established for the crop exceeds the level at which loans may be repaid) multilied by the amount of cotton the producer is otherwise eligible to place under loan; and

(11) Require the Secretary to make available to producers recourse loans on seed cotton using existing authorities under the Commodity Credit Corporation Charter Act.

TITLE VII—RICE

The rice provisions of the bill would—

(1) Require the Secretary of Agriculture to make available to producers of rice loans and purchases. For the 1986 crop, the loan level could not be less than $7.20 per hundredweight. For the 1987 through 1989 crops, the loan level would be the higher of (i) 85 percent of the average price received by producers during the preceding 5 years, with the high and low years excluded, or (ii) $6.50 per hundredweight. The loan and purchase level could not be reduced by more than 5 percent from the level determined for the preceding year's crop;

(2) Require the Secretary to permit the repayment of loans by producers at the lower of (a) the loan rate established for the crop or (b) the higher of (i) 70 percent of the loan rate established for the crop or (ii) the prevailing world market price, as determined by the Secretary;

(3) Require the Secretary to announce the loan and purchase level no later than March 1 of the calendar year for the crop harvested in that calendar year;

(4) Authorize the Secretary to make payments available to producers who agree to forgo obtaining loans in return for such payments. Payments would be made in amounts equal to the loan payment rate multiplied by the amount of rice the producer is otherwise eligible to place under loan. The amount of rice eligible to be placed under loan could not exceed the farm program acreage for the crop multiplied by the farm program payment yield. The loan payment rate would be the amount by which the loan rate established for the crop exceeds the level at which the loan could be repaid;

(5) Require the Secretary to make available deficiency payments to producers for the 1986 through 1989 crops of rice

using the same formula as under current law, except that producers would not be required to plant more than 50 percent of their base or permitted acreage in order to qualify for such payments. The target price for rice, for the 1986 through 1989 crops would be not less than $11.90 per hundredweight;

(6) Require prevented planting and reduced yield disaster payments to producers for whom Federal crop insurance is not available in the same manner as for wheat;

(7) Authorize acreage limitation and set-aside programs for rice (with a maximum limitation or set-aside of 35 percent) if needed to protect against overproduction. The Secretary would be required to announce any such rice acreage limitation or set-aside program not later than January 31 of the calendar year in which the crop for which the announcement is made is harvested. The acreage base for any reduction would be, for the 1986 crop, the average acreage planted to rice for harvest in the 2 previous years, for the 1987 crop, the average acreage planted to rice for harvest in the 3 previous years, for the 1988 crop, the average acreage planted to rice for harvest in the 4 previous years, and, for the 1989 crop, the average acreage planted to rice for harvest in the 5 previous years. In no event could the total acreage base for any farm exceed the total acreage of cropland on the farm;

(8) Authorize the Secretary to make land diversion payments, regardless of whether an acreage limitation or set-aside program is in effect, if the Secretary determines that such payments are necessary in adjusting the total national acreage of rice to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into by the Secretary; and

(9) Authorize the Secretary to make payments available to producers who forgo obtaining a loan, who forgo receiving deficiency payments, who do not plant rice for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production, and who otherwise comply with the provisions of the bill. Payments would be made in the form of rice owned by the CCC, subject to availability, and would be in amounts equal to the loan payment rate (the amount by which the loan rate established for the crop exceeds the level at which loans my be repaid) multiplied by the amount of rice the producer is otherwise eligible to place under loan.

TITLE VIII—PEANUTS

The peanut provisions of the bill would—

(1) Require a national poundage quota for peanuts for the 1986 through 1989 marketing years at a level that will meet domestic edible, seed, and related uses for peanuts taking into consideration carry forward of stocks and producer undermarketings, but not less than 1,100,000 tons. The national poundage quota would be apportioned among the States so that each

State's poundage quota is equal to the percentage of the national poundage quota allocated to farms in the State for 1985;

(2) Require the establishment of farm poundage quotas for each farm that had a farm poundage quota for the 1985 crop year and for other farms on which peanuts were produced in at least 2 of the 1983 through 1985 crop years. If the national poundage quota is increased for any of the 1987 through 1989 marketing years, the increase in a State's poundage quota apportionment would be allocated equally among all farms on which a poundage quota was established for the marketing year immediately preceding the marketing year for which the allocation is being made and all other farms on which peanuts were produced during at least 2 of the 3 immediately preceding crop years as determined by the Secretary of Agriculture. The farm poundage quota established on a farm during any of the 1986 through 1989 marketing years would be reduced to the extent the Secretary determines that the farm poundage quota was not produced on the farm for any 2 of the 3 marketing years preceding the year for which the determination is being made. The bill would authorize leasing of quota after the normal planting season (fall leasing) only if the quota had been planted on the farm from which the quota is to be leased.

(3) Retain the peanut program's two-tier system of "quota" peanuts (production within a farm's poundage quota) and "additional" peanuts (production in excess of the poundage quota and production from a farm for which no farm poundage quota has been established);

(4) Increase the penalties from 120 percent to 140 percent of the quota loan level for marketing violations by handlers relating to quota peanuts and for failure of handlers to comply with the regulations governing the disposal and handling of additional peanuts. The provision would allow the handling and disposal, including export, of additional peanuts by a handler without physical supervision. The Secretary would be required to require adequate financial guarantees and facilities to assure compliance of handlers to export additional peanuts. Penalties at a rate equal to 140 percent of the quota loan level would be imposed on importers who import additional peanuts in commercial quantities which had been exported from the United States;

(5) Establish the deadline for contracting with handlers for the crushing or export of additional peanuts as August 1;

(6) Continue price support for quota and additional peanuts. For the 1986 crop of quota peanuts, the national average quota support rate would be equal to the 1985 rate, adjusted by the percentage increase in prices paid by producers for commodities and services, interest, taxes, and farm wages between 1981 and 1985. The quota support rate for the 1987 through 1989 crops of peanuts would be the rate for the preceding year adjusted to reflect any change in the national average cost of production, excluding any change in the cost of land, except that the support rate for any year could not be less than the 1985 quota support rate and could not exceed the previous year's level by more than 6 percent.

The support level for additional peanuts would be established at a level the Secretary determines appropriate and must ensure that there will be no losses to the Government;

(7) Require the Secretary to make warehouse storage loans available to designated area marketing associations (except cooperatives engaged in activities with respect to peanuts other than handling CCC price support operations), and to use the associations in administrative and supervisory activities relating to price support and marketing; and

(8) Continue the requirement for establishment of marketing pools. No pools would be established by type except for Valencia peanuts produced in New Mexico. Any distribution of net gains on additional peanuts would first be reduced by any CCC losses on quota peanuts placed under loan. Proceeds due any producer from any pool would be reduced by losses incurred with respect to peanuts transferred from an additional loan pool to a quota loan pool. Losses in area quota pools, other than certain losses incurred as a result of transfers from additional loan pools to quota loan pools, would be offset by gains or profits from pools in other production areas.

TITLE IX—SOYBEAN

The soybean provisions of the bill would—

(1) Extend the price support program for soybeans through the 1989 marketing year as follows:

(a) Require the price of soybeans to be supported through loans and purchases at a level equal to 75 percent of the average price received by farmers for soybeans during the preceding 5 years, excluding the high and low years, except that the support price could not be less than $5.02 per bushel; and

(b) Provide that the Secretary of Agriculture may not require participation in any production adjustment program as a condition of eligibility for soybean price support, that soybeans may not be considered an eligible commodity for any reserve program, and that the Secretary may not make payments to farmers to cover the cost of storing soybeans.

TITLE X—SUGAR

The sugar provisions of the bill would—

(1) Require the Secretary of Agriculture to provide price support for the 1986 through 1989 crops of domestically grown sugarcane and sugar beets through nonrecourse loans at not less than 18 cents per pound for raw cane sugar and, for sugar beets, at such level as the Secretary determines to be fair and reasonable in relation to the level of loans for sugarcane; and

(2) Give the Secretary discretion to increase the support prices for sugarcane and sugar beets from the level for the preceding crop based on changes during the 2 immediately preceding crop years in such factors as the cost of sugar products, increased cost of production, and other circumstances that may adversely affect domestic sugar production.

TITLE XI—HONEY

The honey provisions of the bill would—

(1) Require the Secretary of Agriculture to make loans and purchases available for the 1986 through 1989 crops of honey at a level not less than (i) 65.3 cents per pound for the 1986 crop and (ii) the higher of 85 percent of the average price received by farmers during the five preceding marketing years, excluding the high and low years, or 50 cents per pound for the 1987 through 1989 crops. The loan level would not be reduced by more than 5 percent from the level determined for the preceding year;

(2) Authorize the Secretary to permit the repayment of loans by producers at the lower of the loan rate established for the crop or such rate as the Secretary determines will minimize loan forfeitures, will not result in excessive stocks, will reduce Government costs of storing honey, and will maintain the competitiveness of honey in domestic and export markets;

(3) Authorize the Secretary to make payments available to producers who agree to forgo obtaining loans in return for such payments. Payments would be made in amounts equal to the loan payment rate (the amount by which the loan rate established for the crop exceeds the level at which loans may be repaid) multiplied by the amount of honey the producer is eligible to place under loan; and

(4) Make any person who knowingly forfeits adulterated or imported honey placed under loan ineligible for honey loans, purchases, or payments for 3 years after the determination.

TITLE XII—FOOD ASSISTANCE RESERVE

The reserve provisions of the bill would—

(1) Require the Secretary of Agriculture to establish a food assistance reserve of up to 500 million bushels of wheat and feed grains to be used by the Secretary to meet urgent humanitarian needs;

(2) require that at least 200 million bushels of wheat be included in the reserve to be used to provide emergency food assistance to developing countries at any time that the domestic supply of wheat is so limited that wheat cannot be made available for disposition under Public Law 480, except that 300,000 tons of wheat may be released from this portion of the reserve in any fiscal year without regard to the domestic supply situation for use in providing urgent humanitarian relief in any developing country suffering a major disaster;

(3) Require that at least 100 million bushels of wheat be included in the reserve to be used to provide assistance under section 416 of the Agricultural Act of 1949;

(4) Authorize the Secretary, in connection with the use of stocks in the reserve, to pay for processing, reprocessing, packaging, transporting, handling, and other charges, including the cost of overseas delivery;

(5) Authorize the Secretary to establish or replenish the reserve through purchases from producers or in the market and

by designating stocks of wheat and feed grains acquired by the Commodity Credit Corporation; and

(6) Repeal the current authorities for the farmer-owned reserve for wheat and feed grains, the food security wheat reserve, and other reserves.

TITLE XIII—MISCELLANEOUS COMMODITY PROVISIONS

The miscellaneous commodity provisions of the bill would—

(1) Apply payment limitation requirements for the 1986 through 1989 crops as follows:

(a) Extend the $50,000 limitation in current law on the total payments (excluding disaster payments) that a person may receive under any one or more of the annual programs for wheat, feed grains, upland cotton, extra long staple cotton, and rice;

(b) Limit disaster payments to $100,000 for wheat, feed grains, upland cotton, and rice;

(c) Specify that the following would not be subject to the payment limitation:

(i) any gain realized by a producer from repaying a loan for wheat, feed grains, upland cotton, or rice at a level less than the loan level established for the crop;

(ii) deficiency payments for wheat or feed grains received as the result of a reduction of the loan level under the so-called Findley provision;

(iii) loan deficiency payments received for a crop of wheat, feed grains, upland cotton, or rice; and

(iv) inventory reduction payments received for a crop of wheat, feed grains, upland cotton, or rice;

(d) Require an adjustment of any acreage reduction requirement established under a set-aside or acreage limitation program if the Secretary of Agriculture determines that the total amount of payments that would be earned by any person under the program for any crop would be reduced under the payment limitation requirements;

(e) Require that regulations issued by the Secretary on December 18, 1970, be used to determine whether a corporation and its stockholders are different persons for purposes of applying the payment limitation requirements;

(2) Authorize the Secretary to require, whenever a set-aside program is in effect for any of the 1986 through 1989 crops of wheat, feed grains, upland cotton, or rice that producers not exceed the acreage on the farm normally planted to designated crops as reduced by the set-aside or diverted acreage, as a condition of eligibility for program benefits. The Secretary would also be authorized, whenever marketing quotas are in effect for any of the 1987 through 1989 crops of wheat, to require as a condition of eligibility for program benefits for any commodity that the acreage normally planted to crops designated by the Secretary be reduced by an amount equal to the acreage normally planted to wheat minus the individual farm program acreage for wheat;

(3) Extend the provision concerning finality of facts determined by the Secretary relating to the basis for loans, payments, price support operations, or the amount thereof, to the extra long staple cotton program;

(4) Provide that the Secretary shall determine the rate of loans, purchases, and payments under the commodity programs under the Agricultural Act of 1949 without regard to the requirements for notice and other procedures for public participation in rulemaking contained in 5 U.S.C. 553, or in any directive of the Secretary;

(5) Provide that the Commodity Credit Corporation for the 1986 through 1989 crops may not sell any of its stocks of wheat, corn, grain sorghum, barley, oats, and rye, respectively, at less than 115 percent of the current national average loan rate for the commodity, as adjusted, or, if the Secretary permits the repayment of loans made for a crop of the commodity at a rate less than the loan rate established for the crop, at less than 115 percent of the average loan repayment rate which is determined for the crop during the period of the loan;

(6) Authorize the Secretary to make available advance deficiency payments to producers who agree to participate in acreage limitation or set-aside programs for any of the 1986 through 1989 crops of wheat, feed grains, upland cotton, and rice if the Secretary determines that deficiency payments will likely be made available for the commodity. Advance payments would be made available to producers as soon as practicable after the producer files a notice of intention to participate in the program. Payments would be made available in amounts the Secretary determines appropriate to encourage participation in the program except the amount could not exceed an amount determined by multiplying the estimated farm program acreage for the crop by the farm program payment yield for the crop by 50 percent of the projected payment rate. If the deficiency payment is determined to be less than the advance deficiency payment made available to the producer, the producer would be required to refund the difference between the payment advanced and the payment finally determined by the Secretary to be payable to the producer. Producers would also be required to refund advance deficiency payments if the Secretary determined that deficiency payments would not be made available to a producer on a crop. If the Secretary makes land diversion payments to assist in adjusting the total national acreage of each of the 1986 through 1989 crops of wheat, feed grains, upland cotton, or rice to desirable levels, the Seccretary would be authorized to make at least 50 percent of the advance payments available to a producer as soon as possible after the producer agrees to undertake the diversion of land in return for the payment;

(7) Extend the special grazing and hay program through the 1989 cropy year;

(8) Authorize the Secretary to permit a producer to plant a second crop of a commodity on acreage diverted from production under an annual commodity program if the producer has

historically produced crops of two commodities on the same land in the same year.

TITLE XIV—FOOD STAMPS AND COMMODITY DISTRIBUTION

A. *Food stamps*

The food stamp provisions of the bill would—

(1) Permit certain publicly operated community health centers to accept food stamps from their residents who are participating in drug addiction of alchoholic treatment programs and make residents of such programs eligible to participate in the Food Stamp Program;

(2) Modify the definition of a disabled person for purposes of the Food Stamp Program to include anyone receiving Federal benefits based on a determination of disability or blindness under criteria substantially similar to the criteria used in the supplemental security income (SSI) program to determine disability or blindness;

(3) Clarify the current regulatory practice of including as income benefits provided to third parties on behalf of households by the Aid to Families with Dependent Children (AFDC) program and by State and local governments, except medical, energy, housing assistance, and child care assistance;

(4) Require educational grants, loans, and scholarships, to the extent they provide assistance beyond that for tuition and mandatory fees, to be counted as income if they are provided in the form of vendor payments;

(5) Provide that food stamp benefits will not be adjusted to reflect a reduction in AFDC or SSI benefits due to receipt of a nonrecurrng lump sum payment;

(6) Include allowances, earnings, and payments received under programs authorized by the Job Tranining Partnership Act as income for the Food Stamp Program;

(7) Exclude from income at State option, child support payments that are excluded under AFDC if the State agrees to pay the additional food stamp benefit costs caused by such exclusion;

(8) Clarify that shelter expenses paid by any kind of Low-Income Home Energy Assistance Act payments do not qualify as household expenses for the purpose of calculating the excess shelter expenses deduction;

(9) Require retrospective budgeting and monthly reporting for all households with earnings or a recent work history. Prospective budgeting would be used for migrants and households with no earnings and only elderly or disabled adult members. States would have the option of using either prospective or retrospective budgeting and requiring periodic reports for all other types of households;

(10) Exclude from resources the value of a burial plot for each household member;

(11) Authorize States to consider households containing only persons receiving AFDC or SSI benefits as automatically meeting the food stamp income and resources eligibility tests if the

gross income of such households does not exceed 130 percent of the poverty level;

(12) Require States to establish employment and training programs for able-bodied food stamp recipients which could include job search training programs, employment experience programs, workfare, or other employment activities. States would be required to place 25 percent of the persons subject to the work requirements in employment and training activities by the end of fiscal year 1987, 35 percent by the end of fiscal year 1988, and 45 percent by the end of fiscal year 1990 and thereafter;

(13) Count all income (instead of a pro rata share) of an ineligible alien as ineligible alien as available to his or her household;

(14) Prohibit the charging of sales tax on food purchased with food stamp coupons;

(15) Require (instead of authorize) the Secretary of Agriculture to require the use of alternative methods of food stamp issuance, including electronic benefit transfer, when the Secretary in consulation with the Inspector General of the Department of Agriculture determines that program integrity would be improved by instituting a different method of issuance in an area;

(16) Authorize States, with approval of the Secretary, to use simplfied application and benefit determination procedures for households containing members receiving AFDC, SSI or medicated;

(17) Require State agencies to provide a means of certifying and issuing food stamps to eligible households that do not reside in permanent dwellings or have fixed mailing addresses;

(18) Require all adult members of a household, or one adult member of a household being certified under expedited service procedures, to certify under penalty of perjury the truth of all information on the household's application form and all other reports which the household is required to file;

(19) Require State agencies to verify household size in any case in which household size is questionable and permit State agencies, as well as the Secretary, to establish other factors that must be verified;

(20) Provide that the Secretary, after consulting with the Inspector General may require State agencies to require most households to present photographic identification cards to receive coupons in project areas where the Secretary determines that this practice would be cost effective as well as useful to protect program integrity. State agencies could permit households to comply with this requirement by presenting a photographic identification card used to receive assistance under a welfare or public assistance program;

(21) Permit State agencies to stagger food stamp coupon issuance throughout a month except that no household could go more than 40 days between coupon issuances as a result of changes in scheduling;

(22) Require State agencies to establish and operate fraud detection units in all project areas with 5,000 or more participating households;

(23) Make a retail food store or wholesale food concern that has been disqualified under the Food Stamp Program ineligible to participate in the special supplemental food program for women, infants, and children (WIC) established under section 17 of the Child Nutrition Act. The bill would also authorize information obtained from retail food stores and wholesale food concerns to be used in administration of the WIC program;

(24) Subject retail food stores and wholesale food concerns that are sold during a disqualification period to a civil money penalty and prohibit the buyer of the store or concern from accepting food stamps until the money penalty is fully paid if the buyer had actual or constructive notice of the penalty when the store or concern was sold;

(25) Make all adult household members jointly and severally liable for the value of any overissuance of benefits to the household;

(26) Make State agencies liable for interest on claims assessed against the State by the Secretary after the State agency has exhausted the administrative review process;

(27) Require States to use other means of collection to collect claims arising from intentional program violations which are not collected through cash payment or allotment reduction unless the State agency can demonstrate that other collection methods are not cost effective. Also, State agencies would be allowed to reduce household allotments to collect claims arising from State agencies' errors;

(28) Authorize the intercept of unemployment compensation benefits by State agencies to collect claims arising from a food stamp overissuance caused by an intentional program violation;

(29) Require a retail food store, wholesale food concern, or State agency, to show that it is likely to prevail on the merits of its case to obtain a judicial stay of an administrative action of the Secretary;

(30) Require the Secretary to set standards for States' periodic review of office hours of operations;

(31) Require States with error rates in excess of 5 percent to pay 75 percent of the dollar value of benefits issued erroneously between 5 and 7 percent and 100 percent of the benefits issued erroneously over 7 percent;

(32) Authorize the Secretary to require special certification procedures in project areas with high payment error rates if such procedures would improve program integrity in a cost-effective manner;

(33) Extend for 4 years the supplemental security income cash-out demonstration projects;

(34) Authorize the Secretary to conduct a pilot project on the effects of eliminating cash change;

(35) Prohibit funds appropriated under the Food Stamp Act of 1977 to be transferred to the Department of Agriculture's

Office of the Inspector General or Office of the General Counsel;

(36) Delete the requirement that Puerto Rico provide noncash benefits beginning October 1, 1985, under its food assistance block grant. The date by which the Commonwealth must submit its plan describing the provision of assistance would be moved from July 1 to April 1 of the prior fiscal year. Also, the requirement that the Commonwealth designate a single agency as responsible for the supervision of program administration would be deleted to allow different agencies to be responsible for different phases of the nutrition assistance program.

B. Commodity distribution

The commodity distribution provisions of the bill would—

(1) Permit transfer of perishable agricultural commodities purchased under section 32 of Public Law 74–320 from a public or private nonprofit organization that receives these commodities to another such organization that agrees to use the commodities in providing nutrition assistance to individuals in low-income groups without cost or waste;

(2) Extend through September 30, 1989, the Commodity Distribution Program under section 4 of the Agriculture and Consumer Protection Act of 1973;

(3) Extend through September 30, 1989, the Commodity Supplemental Food Program under section 5(a) of the Agriculture and Consumer Protection Act of 1973;

(4) Make section 32 commodities available for Temporary Emergency Food Assistance Program (TEFAP) distribution in addition to the price-support commodities already distributed. The bill also requires States to encourage distribution of TEFAP commodities in rural areas;

(5) Extend the Temporary Emergency Food Assistance Program for 2 years and authorize appropriations of $50 million for payment of storage and distribution costs of States and local operating agencies with a requirement that States must match these Federal funds.

TITLE XV—AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING

Title XV makes a number of amendments to the National Agricultural Research, Extension, and Teaching Policy Act of 1977 and related statutes. These amendments would—

(1) Amend the findings in the 1977 Act to specifically recognize that the agricultural system of the United States is increasingly dependent on science and technology, and that the system requires a constant supply of expertise in food and agricultural sciences;

(2) Designate the Department of Agriculture as the lead agency for establishing appropriate controls with respect to the development and use of the application of biotechnology to agriculture;

(3) Extend the terms of the Joint Council on Food and Agriculture Sciences and the National Agricultural Research and Extension Users Advisory Board through September 30, 1989;

(4) Add research to develop new and alternative industrial uses for agricultural crops and research to reduce farm input costs to the high priority research areas specifically identified for competitive research grants under section 2(b) of the Act of August 4, 1965. The authorization for appropriations for competitive research grants would be extended at a level of $70 million for each of the fiscal years 1986 through 1989. In addition, panels created for the purpose of reviewing grant proposals would be exempted from the Federal Advisory Committee Act;

(5) Revise the Act of July 22, 1963 (Research Facilities Act) by deleting the formula for allocation of funds, authorizing facilities grants to be made subject to a matching requirement, and extending the authorization of appropriations at the current level of $31 million for each of the fiscal years 1986 through 1989;

(6) Extend the authorization of appropriations for grants and fellowships for food and agricultural sciences education at the current level of $50 million for each of the fiscal years 1986 through 1989;

(7) Extend the term of the Animal Health Science Research Advisory Board through September 30, 1989, extend the authorization for appropriations for continuing animal health and disease research programs at the current level of $25 million annually through September 30, 1989, and extend the authorization for appropriations for research on specific national or regional animal health or disease problems at the current level of $35 million annually through September 30, 1989.

(8) Extend the authorization for appropriations for certain agricultural research programs at the current level of $890 million for each of the fiscal years 1986 through 1989, extend the authorization for appropriations for agricultural research at State agricultural experiment stations at a level of $300 million for each of the fiscal years 1986 through 1989, and consolidate and extend the authorization for appropriations for all extension and related programs administered by or funded through the Extension Service at a level of $380 million for each of the fiscal years 1986 through 1989;

(9) Authorize the Secretary of Agriculture to use a cooperative agreement as the legal instrument reflecting a relationship between the Secretary and any other party when such agreement would further an objective of each of such parties in an agricultural research, extension or teaching activity, including statistical reporting, and all such parties will contribute resources to the accomplishment of the objectives;

(10) Authorize the Secretary to enter into a cooperative agreement with a private agency, organization, or individual to share the cost, on a 50–50 matching fund basis, of a research project or to allow the use of a Federal facility or service on a cost-sharing or cost-reimbursable basis to develop new agricultural technology to further a research program of the Secretary; authorize not more than $3 million of the funds appropriated to the Agricultural Research Service for each of the fiscal years 1986 through 1989 to carry out this program;

(11) Extend the authorization for appropriations for aquaculture assistance at the current level of $7.5 million for each of the fiscal years 1986 through 1989;

(12) Extend the term of the Rangeland Research Advisory Board through September 30, 1989 and extend the authorization for appropriations for rangeland research at the current level of $10 million annually through September 30, 1989;

(13) Include the acquisition and improvement of agricultural libraries as a permissible use of research facilities grants to 1890 land-grant colleges and Tuskegeee Institute; and extend the authorization for appropriations for grants to upgrade 1890 land-grant colleges and Tuskegeee Institute at the current level of $10 million each of the fiscal years 1986 through 1989;

(14) Require the Secretary to increase and intensify research programs that are directed at developing technology to overcome barriers to expanded sales of U.S. agricultural commodities in foreign markets;

(15) Provide for the establishment of a new program of agricultural productivity research;

(16) Require the Secretary to conduct assessments of existing information concerning dietary calcium, and dietary and blood cholesterol, and to propose protocols and plans for needed studies in such areas; and

(17) Require the Secretary to submit to appropriate congressional committees a comprehensive plan for implementing a national food and human nutrition research program, and an annual report in the human nutrition research activities conducted by the Secretary.

TITLE XVI—CONSERVATION

A. Highly erodible land conservation

The provisions of the bill relating to highly erodible land would—

(1) Provide that any person who produces an agricultural commodity on highly erodible land (defined as class IIIe, IVe, VI, VII, or VIII land) in any crop year would be ineligible, as to any commodity produced by that person during that crop year, for—

(a) agricultural price support or payments made available under any Federal law;

(b) Commodity Credit Corporation loans for the construction or purchase of farm storage facilities;

(c) Federal crop insurance and disaster payments; and

(d) new Farmers Home Administration loans, if the loan proceeds will be used for activity contributing to excessive erosion of highly erodible land.

In addition, the person would not be eligible to receive any payments for the storage of commodities owned by the Commodity Credit Corporation.

(2) Provide that the ineligibility provisions cited above would not apply to any person who produces a crop of an agricultural commodity on highly erodible land—

(a) that was cultivated in any of the last 5 years (except that, beginning in crop year 1988, or 2 years after the land is mapped for purposes of soil classification, the crop would have to be produced using an appropriate conservation system in order to be eligible for price support and other Federal benefits);

(b) that was planted before the date of enactment of the bill;

(c) that was planted during any crop year beginning before the date of enactment of the bill;

(d) using a conservation system approved by a soil conservation district or, in areas where soil conservation districts do not exist, by the Secretary of Agriculture; or

(e) in reliance on a determination made by the Soil Conservation Service that such land was not highly erodible.

(3) Require the Secretary, as soon as is practicable, to complete soil surveys on those private lands not classified as to land capability, concentrating, insofar as is possible, on those localities where significant amounts of highly erodible land are being converted to agricultural production.

(4) Provide that in administering this program, the Secretary must—

(a) use the services of the local, county, and State Agricultural Stabilization and Conservation committees;

(b) establish appeal procedures under which persons may seek review of the classification of land as highly erodible and under which persons adversely affected by determinations made under this program may seek review of such determinations; and

(c) not later than 180 days after the date of enactment, issue any regulations necessary to implement this program, including regulations that define the term "person", determine program ineligibility, and protect the program interests of tenants and sharecroppers.

B. Wetland conservation

The wetland provisions of the bill would—

(1) Provide that any person who produces an agricultural commodity on wetland (defined as hydric soil, or soil inundated or saturated with water, that supports the growth and regeneration of hydrophytic vegetation) that has been drained, filled, or dredged to reduce the flow of water to make the land suitable for agricultural production in any crop year shall be ineligible, as to any commodity produced by that person during that crop year, for—

(a) agricultural price support or payments made available under any Federal law;

(b) Commodity Credit Corporation loans for the construction or purchase of farms storage facilities;

(c) Federal crop insurance and disaster payments; and

(d) new Farmer's Home Administration loans, if the loan proceed will be used for activity contributing to the conversion of wetland.

(2) Provide that the ineligibility provisions cited above would not apply to any person who produces a crop of an agricultural commodity on coverted wetland—

(a) if the conversion of such wetland was commenced before the date of enactment of the bill; or

(b) if production is possible as the result of a natural condition, such as drought, and is not assisted by any producer action that destroys the natural characteristics of the wetland.

(3) Provide that the ineligibility provisions would also not apply to a person who produces a crop of an agricultural commodity on land converted to artificial wetland (in an area that was not wetland) for purposes such as stockwater, fish production, irrigation (including subsurface irrigation, a settling basin, cooling, rice growing, or flood control.) The Secretary of Agriculture also has the authority to exempt any person from the ineligibility provisions if that person takes action associated with the production of an agricultural commodity on wetland and the action, individually and in connection with other similar actions authorized by the Secretary in the area, has a minimal impact on the wetland.

(4) Provide that in administering the program the Secretary must—

(a) use the services of the local, county, and State Agricultural Stabilization and Conservation committees;

(b) consult with the Secretary of the Interior in carrying out the program, including the identification of wetlands, the determination of exemptions, and the issuance of regulations;

(c) establish appeal procedures under which persons can seek review of the determination that land is converted wetland and under which persons adversely affected by program determinations may seek review of those determinations; and

(d) not later than 180 days after the date of enactment, issue any regulations needed to implement the program, including regulations that define the term "person", specify program ineligibility, and protect the program interests of tenants and sharecroppers.

C. *Conservation acreage reserve*

The conservation acreage reserve provisions would—

(1) Establish a conservation acreage reserve program to convert eligible erosion-prone land to less intensive uses (such as pasture, permanent grass or legumes, or trees) and to place this land in the conservation acreage reserve. Eligible erosion-prone land is defined as class IVe, VIe, VII, or VIII land, or as land having an excessive rate of erosion (as determined through the use of the universal soil loss equation and the wind erosion equation) that has been used, or is considered to have been used, to produce an agricultural commodity during at least 2 of the 3 crop years prior to January 1, 1986. While the Secretary of Agriculture has discretion to fix the size of the conservation acreage reserve at a maximum of 30 million

acres, the Secretary is required to put at least 10 million acres into the reserve during the 1986 crop year, an additional 10 million acres during the 1987 crop year, and an additional 5 million acres by the close of the 1989 crop year.

(2) Require the Secretary, during crop years 1986 through 1990, to enter into conservation contracts (lasting from 7 to 15 years) with owners and operators of eligible erosion-prone land. Under the contracts, the owners and operators must agree—

(a) to implement an approved conservation plan for converting the land to a less intensive use;

(b) to put the land covered by the contract into the conservation acrege reserve and to establish approved vegetative cover on the land;

(c) not to use the land for agricultural purposes, or conduct any harvesting, grazing, or haying, or make commercial use of the forage or trees on such land, except as permitted in the contract or by the Secretary;

(d) to forfeit all future rental payments and conservation payments and to refund all such payments received, with interest thereon, if the owner or operator violates the contract in such a way as to warrant its termination, or to make refunds of such payments or accept payment adjustments, if the Secretary determines that the contract violation does not warrant contract termination;

(e) upon transfer of the land subject to the contract, to forfeit all future rental payments and conservation payments and to refund all such payments received, with interest thereon, unless the transferee agrees to assume the terms of the contract or enters into a new contract with the Secretary;

(f) not to adopt any practice specified in the contract as a practice that would tend to defeat the purpose of this program; and

(g) to any additional provisions that the Secretary believes is desirable to carry out the program or to facilitate its administration.

(3) Require the conservation plan to set forth—

(a) the conservation measures and practices to be installed on the land subject to the contract; and

(b) the commercial use, if any, to be made of the land during the term of the contract.

(4) Require a portion of the conservation contracts to be entered into with owners and operators who agree to plant trees as the vegetative cover. To the extent practicable, in areas prone to wind erosion, at least 10 percent of the acreage under conservation contact must be devoted to shelterbelts, but no more acreage may be devoted to this purpose than is consistent with effective wind erosion control.

(5) Authorize the Secretary, on a yearly basis, to designate a State, or part of a State, as an area in which the haying or grazingf of conservation acreage may be permitted. Specific decisions to permit such activity will be made on a a contract by contract basis, subject to such terms and conditions as the Sec-

retary may prescribe, except that haying and grazing may be permitted only during the 6 principal nongrowing months.

(6) Provide that in return for the agreement of the owners and operators, the Secretary must agree to—

(a) share the cost of the conservation measures and practices set forth in the contract that the Secretary determines are appropriate and in the public interest;

(b) pay a rental fee in an amount necessary to induce the placement of erosion-prone land into the conservation reserve and obtain the retirement of cropland base and allotment history; and

(c) provide conservation technical assistance in carrying out the contract.

(7) Provide that the amounts of rental payments payable to owners and operators may be determined through the submission of bids or such other means as the Secretary deems appropriate. The Secretary must give priority to those offers that, on the basis of all relevant factors, result in the lowest cost to the Government. The relevant factors include—

(a) the amount of rent needed to bring land into this program;

(b) the productivity and extent of erosion on the land subject to the contract;

(c) the number of eligible acres removed from production each year;

(d) the amount of funding for the program;

(e) the extent to which erosion-prone land may contribute to off-site damages; and

(f) the potential benefits to wildlife.

The Secretary may establish different criteria for the acceptance of contract offers for land located in various States and regions of the country.

(8) Provide that rental payments may be made in cash or in in-kind commodities. If in-kind payments are made—

(a) they must be made in the commodity normally produced on the land; and

(b) they must be made by delivery of the commodity within the county where the land is located or at such other point as is mutually agreeable; by the transfer of negotiable warehouse receipts, or by any other appropriate method.

(9) Authorize the Secretary to pay rental payments in cash if insufficient quantities of commodities are available from which to make payments and to make both rental and conservation payments in advance of compliance with the conservation contract. The total amount of rental payments, however, may not exceed $50,000 per owner or operator for each fiscal year; this limitation, however, is separate from and not related to the payment limitation applicable to the annual commodity programs under the Agricultural Act of 1949.

(10) Authorize the Secretary to modify or terminate a contract if the owner or operator agrees to the modification or termination and the Secretary determines that the modification or termination is in the public interest.

(11) Authorize the Secretary to modify or waive contract terms to permit the production of agricultural commodities on land covered by conservation reserve contracts, subject to such conditions as the Secretary finds are appropriate.

(12) Provide that, in carrying out this program, the Secretary—

(a) must reduce the owner's or operator's program acreage base by the amount of the acreage placed under the conservation reserve contract;

(b) must use the Commodity Credit Corporation (CCC), except that, beginning in fiscal year 1988, the Corporation must receive funds appropriated to carry out this program in advance of any CCC expenditures for the program;

(c) must issue regulations implementing the program within 180 days after the authorizing legislation is enacted;

(d) must provide safeguards to protect the program interests of tenants and sharecroppers;

(e) must consult with Federal and State fish and wildlife agencies, land-grant colleges, conservation districts, and other water management and conservation groups, and

(f) may use the services of a number of land grant colleges and related Federal, State, and local agencies in carrying out the program.

D. Other conservation provisions

Other conservation provisions of the bill would—

(1) Authorize the Secretary of Agriculture to purchase conservation easements on certain highly erodible land and wetland that has been used as security for Farmers Home Administration loans. If the FmHA borrower is unable to repay the loan, the land in question has been cultivated for row crops in each of the last 3 years, and the land is suitable for conservation purposes, the Secretary may forgive all or a portion of the FmHA debt in return for a conservation easement, at least 50 years in length, on all or part of the land pledged as security for the FmHA debt. The person granting the easement would be required to maintain specified conservation practices and to permit certain recreational and wildlife uses of the land for the life of the easement in return for the forgiveness of the debt. The forgiveness of the debt would not be counted as income to the debtor for Federal income tax purposes.

(2) Promote energy and water conservation through dry land farming in the administration of the Soil Conservation and Domestic Allotment Act.

(3) Provide that soil conservation payments or grants in aid under the Agricultural Conservation Program must be used in accordance with approved soil conservation plans.

(4) Extend the Soil and Water Resources Conservation Act of 1977 and provide for updating the data every 10 years that is used in the appraisal of soil and water resources.

(5) Express the sense of Congress concerning the value of the Soil Conservation Service and urging that funding for necessary Soil Conservation Service programs be continued.

(6) Require the Secretary to implement a program for the amortization of delinquent Farmers Home Administration loans, using revenue generated from softwood timber crops planted on land previously used for crop production or pasture and pledged as security for the delinquent loan. Repayment of the reamortized loan must be made within 50 years; with the interest rate set by the Secretary. To be eligible for the program, the FmHA borrower must place at least 50 acres of eligible land in softwood timber production, the eligibile land may have no liens, other than the FmHA lien, against it, and the indebtedness against such eligible land cannot exceed $1,000 per acre. The Secretary may also make loans to finance the planting of the softwood timber, but not in excess of $100,000 to any one borrower.

TITLE XVII—AGRICULTURAL CREDIT

The agricultural credit provisions of the bill would—

(1) Consolidate the authorizations for the FmHA farm ownership and farm operating loan programs into one authorization, with an amount of $4 billion authorized annually for these programs for fiscal year 1986, fiscal year 1987, and fiscal year 1988. These authorizations would be apportioned between insured loans and guaranteed loans as follows:

(a) Fiscal year 1986—$2 billion would be designated for insured loans and $2 billion for guaranteed loans.

(b) Fiscal year 1987—$1.5 billion would be designated for insured loans and $2.5 billion for guaranteed loans.

(c) Fiscal year 1988—$1 billion would be designated for insured loans and $3 billion for guaranteed loans.

In each of the 3 fiscal years, the Secretary is authorized to transfer up to 25 percent of the funds designated for guaranteed loans to the insured loan program.

(2) Encourage use of the crop insurance program by restricting access to the emergency disaster loan program—

(a) to eligible producers who have suffered physical losses; and

(b) to eligible producers who do not have access to Federal Crop Insurance for the crop in question.

Any eligible producer who suffers a qualifying loss on annual crops planted before the date of enactment of the bill, however, would have access to the emergency disaster loan program.

(3) Establish a 3-year interest rate buy-down program for FmHA guaranteed loans, to be funded at $490 million over 3 fiscal years. The duration of the interest rate buy-down on an individual loan would be for the term of the loan, or for three years, whichever is shorter. An individual guaranteed loan borrower would be eligible for up to a 2 percent Federal interest rate buy-down if—

(a) the borrower can meet the 100 percent cashflow test that is currently being used by FmHA;

(b) the lending institution matches the Federal interest rate buy-down with at least an equal reduction in the borrower's interest rate;

(c) the borrower is otherwise unable to make his loan payments in a timely manner; and

(d) the loan guarantee is necessary for the borrower to obtain credit.

(4) Authorize the compromise, adjustment, reduction, or charge-off of claims and the release of security instruments and agreements entered into or administered by the Farmers Home Administration to carry out the Act. Borrowers or others obligated on a debt could also be released from personal liability with or without the payment of any consideration at the time of the compromise, adjustment, reduction or charge-off of the claim.

(5) Require that a loan applicant or borrower who is directly and adversely affected by a decision of the Secretary be given—

(a) written notice of the decision within 10 days of the date of the decision, an opportunity for an informal meeting, an opportunity for a hearing, and the precedures to be used to appeal the decision;

(b) a reasonable opportunity to inspect and reproduce the applicant's or borrower's personal file maintained by the Secretary; and

(c) the right to be represented by an attorney or non-attorney at any file inspection, informal meeting, or hearing. The Secretary, may charge the applicant or borrower for reasonable costs incurred in reproducing files.

(6) Provide for the sale or lease of farmland held in FmHA inventory as follows:

(a) To the extent practicable, farmland would be sold or leased to operators of not larger than family-size farms. The Secretary must advertise the availability of such land in at least one local newspaper and post an announcement of the availability of such land in the FmHA county office. If such land could not be sold or leased to family-size farmers, it could be disposed of under the provisions in current law.

(b)(i) The Secretary may sell farmland through installment sales or similar devices. The Secretary may subsequently sell any such installment sale or other contract.

(ii) The Secretary may also enter into lease with option to purchase agreements with farm operators. Such lease agreements must be made on a fair and equitable basis. In leasing such land, the Secretary must give special consideration to the previous owner or operator, if the person has the resources and skills to succeed in the proposed farming operation.

(c) The Secretary must offer to sell the farmland at a price that reflects the average annual income that could be generated from farming the land.

(d) If two or more persons are qualified to purchase a given tract of land, the FmHA county committee will select the person who will be allowed to make the purchase.

(e) If any tract of farmland in the FmHA inventory is too large to be used in a family farm operation, the Secretary must subdivide the tract into parcels suitable for farming by family farmers.

(f) If any of the farmland in the FmHA inventory is highly erodible land, as defined in the "Sodbuster" portion of the bill, the Secretary may require as a condition of sale or lease, that specified conservation practices be used on such land.

(7) Require that the Secretary—

(a) consider recommendations made by a loan applicant or borrower concerning the technical design and choice of materials to be used in the construction of water and waste disposal facilities and give the applicant or borrower a comprehensive justification when such design or materials are not used in the facility;

(b) conduct a study of the practicality and cost effectiveness of making loans and grants for the construction of rural water and waste disposal facilities at individual locations, rather than central or community locations, and report the results to the House and Senate agriculture committees;

(c) with regard to an application for a loan or loan guarantee—

(i) approve or disapprove an application, and notify the applicant of the Secretary's action, including any reasons for disapproval, within 90 days after receipt of a complete application; and

(ii) if the application is incomplete when it is received, inform the applicant of the reasons for its incompleteness within 20 days after receipt;

(d) make the proceeds of an insured loan available within 15 days of the date the loan is approved or within 15 days of the date that sufficients funds become available to the Secretary for such loans, unless the loan applicant agrees to a longer period;

(e) decide whether a lender should be designated as an approved lender under the Department's approved lender program within 15 days of the receipt of a complete application; and

(f) make personnel and resources available in sufficient quantities to expeditiously process FmHA loan applications submitted by farmers and ranchers.

(8) Authorize FmHA insured loan borrowers to—

(a) transfer their loan accounts, on a one-time basis and with the approval of the head of the FmHA State office, to an FmHA county office in an adjacent county; and

(b) make prospective loan payments—

(i) from proceeds generated from the leasing of mineral rights in real property used to secure an FmHA loan, and

(ii) from proceeds generated from the sale of minerals severed from real property used to secure an FmHA loan if the minerals had not been used as security for the loan and the loan security is otherwise adequate.

The provision for prospective loan payments will not apply to any loan subject to foreclosure or liquidation proceedings on the date of enactment of the bill.

(9) Clarify that the Secretary can sell notes from the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund on a nonrecourse basis. All such notes sold from the Agricultural Credit Insurance Fund must have been held in that fund for at least 4 years.

(10) Authorize the use of a portion of the proceeds from an operating loan made to a limited-resource borrower to pay for training in the keeping of farm and ranch business records.

(11) Require a study of the administrative appeals procedure used under the FmHA farm loan programs and a report of the results of such study be made to the House and Senate Agriculture committees by September 1, 1986.

(12) Require a study of the appropriateness of the Farm and Home Plan used by FmHA in the administration of its farm and ranch lending program and a report of the results of such study be made to the House and Senate Agriculture committees not later than 120 days after enactment of the bill.

(13) Require the release of funds from normal income security in amounts sufficient to pay the borrower's essential household and farm operating expenses, until such time as the Secretary determines that the underlying loan should be liquidated.

(14) Require that a detailed annual loan summary statement be issued to any insured loan borrower who requests such a statement.

TITLE XVIII—AGRICULTURAL MARKETING

Subtitle A—Pork promotion, research, and consumer information

Subtitle A of Title XVIII establishes a new program of promotion, research, and consumer information designed to strengthen the position of the pork industry in the marketplace and to maintain, develop, and expand markets for pork and pork products. Subtitle A of Title XVIII would—

(1) Delcare findings of Congress concerning the value of pork and pork products to the human diet; the role of pork production in the U.S. economy; the need to market pork and pork products to ensure adequate nourishment; the importance of maintaining, expanding, and developing markets for pork and pork products; the movement of pork and pork products in interstate and foreign commerce; and the replacement of domestic pork with imported pork in normal trade channels;

(2) Declare the purpose of the subtitle to be that of authorizing assessments for promotion, research, and consumer information to strengthen the pork industry in the marketplace and maintain, develop, and expand markets for pork and pork products;

(3) Require the Secretary of Agriculture to issue and amend orders applicable to persons engaged in the production and

sale of porcine animals, pork, and pork products in the United States and the importation of such animals and products into the United States;

(4) Require the Secretary to issue an order, after giving notice and an opportunity for public comment on a proposed order, if the order would assist in carrying out the subtitle;

(5) Require that the order provide for the establishment and appointment by the Secretary of a National Pork Producers Delegate Body consisting of producers, appointed by the Secretary from nominees submitted by State associations, and of importers. States that have State associations that do not submit nominations or that do not have a State association would submit nominees in a manner prescribed by the Secretary. The number of producer members appointed to the Delegate Body from each State would equal two members, and additional members, determined by using an allocation formula based on procine animals marketed from the State in calendar year 1986 and based on net assessments collected in such State in subsequent calendar years. The number of importer members would be determined on the basis of importations of porcine animals, pork, or pork products in calendar year 1986 and assessments collected from importers in subsequent calendar years. Pork producer and importer members of the Delegate Body would be authorized to cast a number of votes determined on the basis of specified formulas. Members of the Delegate Body would serve for a 1-year term and would serve without compensation but could be reimbursed for transportation expenses. The Delegate Body would nominate not less than 17 members of the National Pork Producer Directors for the first year and not less than one and one-half persons (rounded up to the nearest person) thereafter from among the Directors for each vacancy on the National Pork Board that requires nominations for appointment to the Board;

(6) Require that the order provide for the establishment and appointment by the Secretary of a body to be known as the National Pork Producer Directors to serve as a liaison between the State pork producer associations and the Board and to consult with the Board on policy matters. The Directors would consist of one pork producer member from each State with one additional producer member from each State from which 11 million or more porcine animals were marketed during a year. One importer member, selected in a manner prescribed by the Secretary, would serve on the Board. Directors would serve for 3-year terms, and would serve without compensation but could be reimbursed for transportation expenses;

(7) Require the order to provide for the establishment and appointment by the Secretary of a National Pork Board consisting of 11 pork producers nominated from members of the Directors and appointed by the Secretary. Members of the Board would serve for 3-year terms, and would serve without compensation but would be reimbursed for reasonable expenses. The Board would develop pork promotion, research, and consumer information plans and a projects; submit the plans and projects to the Secretary for approval; administer

orders issued by the Secretary; prescribe rules necessary to carry out orders; receive, investigate, and report to the Secretary complaints of violations of orders; make recommendations to the Secretary concerning amendments to the orders; and employ a staff and conduct routine business. The Board would be required to prepare and submit, for the approval of the Secretary, a budget for each fiscal year of anticipated expenses and disbursements of the Board in the administration of the order, including the projected cost of any promotion, research or consumer information plan or project to be conducted by the Board directly or by way of contract or agreement, and the budget, plans or projects for which the State associations and National Pork Producers Council are to receive funds. These budgets, plans, or projects would become effective on the approval of the Secretary. The Board, with the approval of the Secretary, would be authorized to enter into contracts or agreements for the develpment and conduct of activities authorized under an order and for the payment of the costs thereof through assessments;

(8) Require that no later than 30 days after the Board is established, an assessment be paid by each producer for each porcine animal produced in the United States that is sold or slaughtered for sale, and by each importer for each porcine animal, pork, or pork product imported into the United States. A person would not be required to pay an assessment if the person proves to the Board that an assessment was previously paid by a person for a porcine animal of the same category. The initial rate of assessment would be 0.25 percent of the market value of the porcine animal, pork, or pork product sold or imported of such lesser amount as may be set by the Secretary upon recommendation by the Board. The pork or pork product imported into the United States would be assessed based on the equivalent live value of the porcine animal from which such pork or pork product was produced. The assessment could be increased in increments of 0.1 percent but could not exceed 0.5 percent unless approved in a referendum. The Secretary would have authority to waive the collection of assessments upon selected pork products when the collection would not be practicable. Each State pork producer association would receive an amount of funds from the assessments collected based on a specified formula and would be required to use the funds and the proceeds from the investment of such funds for financing pork promotion, research, and consumer information plans and projects. The National Pork Producers Council would receive 60 percent of the aggregate assessments collected less the amount distributed to the State associations and would use these funds and the proceeds from the investment of such funds for financing pork promotion, research, and consumer information plans and projects. The Board would receive the amount of assessments remaining after the distributions to the State associations and the Producers Council. The Board would use the funds and the proceeds from the investment of such funds, generally, for financing pork promotion, research, and consumer information plans and projects;

(9) Require the Secretary, in determining whether to continue an order than in effect, to conduct a referendum not earlier than 1 and not later than 2 years after the effective date of the initial order among persons who have been producers and importers during a representative period, as determined by the Secretary. A majority of the producers and importers voting must approve the order for it to be continued;

(10) Require the Secretary to terminate or suspend an order if, after the initial referendum, the Secretary determines that an order does not tend to effectuate the declared policy of the subtitle. After the initial referendum, on the request of a number of persons equal to at least 15 percent of persons who have been producers and importers during a representative period, as determined by the Secretary, the Secretary would be required to conduct a referendum to determine whether the producers and importers favor the termination or suspension of the order. The Secretary would not be required to conduct more than one referendum under this subtitle in a 2-year period.

(11) Authorize a producer or importer to receive a refund of an assessment prior to approval of continuation of the order in a referendum. After approval of the order in a referendum, no refunds would be permitted;

(12) Authorize a person subject to an order to file a petition with the Secretary requesting a modification of or an exemption from the order;

(13) Grant jurisdiction to U.S. District Courts to enforce an order, rule, or regulation issued under the title. A person who willfully violates an order, rule, or regulations issued by the Secretary under this title may be assessed a civil penalty of not more than $1,000 and, in the case of a willful failure to pay, collect, or remit an assessment, an additional penalty equal to the amount of the assessment. The Secretary is also authorized to issue cease and desist orders for violations of an order, rule, or regulation; and

(14) Preempt State regulation of promotion and consumer education involving pork and pork products and obtaining funds from pork producers for such activity and prohibit the State regulation of such activity (other than a regulation or requirement relating to public health or the provision of State or local funds for such activity) that is in addition to or different from this subtitle. This section would apply only during a period beginning on the date of the commencement of the collection of assessments and ending on the date of the termination of the collection of assessments.

Subtitle B—Beef promotion and research

Subtitle B of Title XVIII revises the Beef Research and Information Act which provides for financing (through assessments on all cattle sold in the United States and on cattle, beef, and beef products imported into the United States) a program of promotion and research designed to strengthen the position of the beef industry in the marketplace and to maintain and expand markets and uses for beef and beef products. Subtitle B of Title XVIII would—

(1) Declare findings of Congress concerning the value of beef and beef products to the human diet; the rule of beef production in the economy of the United States; the need to market beef and beef products to ensure adequate nourishment; the importance of maintaining and expanding markets for beef and beef products; the conduct by established State and national organizations of beef promotion, research, and consumer education programs that are invaluable to promote the consumption of beef and beef products; and the movement of beef and beef products in interstate and foreign commerce;

(2) Declare the purpose of the Act to be that of authorizing assessments for promotion and research designed to strengthen the beef industry in the marketplace and to maintain and expand markets and uses for beef and beef products;

(3) Require the Secretary of Agriculture to issue a beef promotion and research order after giving notice of and an opportunity for public comment on a proposed order;

(4) Require that the order provide for the establishment and appointment by the Secretary of a Cattlemen's Beef Promotion and Research Board consisting of producers, appointed by the Secretary from nominees submitted by State livestock or farm organizations, and of importers. States that do not have a State livestock or farm organization would submit nominees in a manner prescribed by the Secretary. The number of producer members appointed to the Board would be determined by using an allocation formula based on the total inventory of cattle in each State. The number of importer members would be determined by converting the volume of imported beef and beef products into an equivalent number of live animals. Members of the Board would serve for a 3-year term and would serve without compensation but would be reimbursed from assessment for reasonable expenses incurred in performing duties as a member of the Board or Beef Promotion Operating Committee. The Board would administer the order; issue regulations; elect members of the Board to serve on the Committee; approve or disapprove budgets submitted by the Committee; receive, investigate, and report to the Secretary on complaints of violations of the order; and recommend to the Secretary any necessary amendments to the order.

(5) Require that the order provide for the establishment of a Beef Promotion Operating Committee. The Committee would consist of ten members of the Board, elected by the Board, and ten producers who are directors of qualified State beef councils, elected by a federation that includes as members the qualified State beef councils. A member of the Committee would serve for a 1-year term, and would serve without compensation but would be reimbursed for reasonable expenses incurred in peforming duties as a Committee member. The Committee would develop plans or projects for promotion, advertising, research, consumer information, and industry information which would be paid for with assessments collected by the Board. The Committee would develop and submit a budget of anticipated expenses and disbursements of the Committee to the Board for the approval of the Board. If approved by the

Board, the budget would be submitted for the approval of the Secretary. No plan, project, or budget would become effective unless approved by the Secretary.

(6) Require that an assessment be paid by each person purchasing cattle from a producer and each person marketing beef directly from cattle produced by that person. An assessment would also be paid by each importer of cattle, beef, or edible beef products. The rate of assessment would be $1 per head of cattle, or in the case of imported beef and edible beef products, the equivalent of $1 per head of cattle, as determined by the Secretary. If a producer is participating in a program of an established qualified State beef council, the producer would receive credit of up to 50 cents per head of cattle in determining the amount of the assessment due from the producer for contributions to the program. The assessments would be used for the payment of expenses incurred in administering the order, and the maintenance of a reasonable reserve.

(7) Require the Secretary, in determining whether to continue the initial order, to conduct a referendum not later than 2 years after the issuance of the order (or any earlier date recommended by the Board) among persons who have been producers or importers during a representative period, as determined by the Secretary. A majority of the producers and importers voting must approve the order for it to be continued.

(8) Require the Secretary, after the initial referendum, on the request of 10 percent of persons who have been producers or importers during a representative period, as determined by the Secretary, to conduct a referendum to determine whether the producers and importers favor the termination or suspension of the order. The Secretary would also be required to terminate or suspend and order if the Secretary finds that the order, or a provision of the order, does not tend to effectuate the declared policy of the Act.

(9) Authorize the Secretary to issue an order to restrain or prevent a person from violating an order and to assess a civil penalty of no more than $5,000 for the violation of an order. Jurisdiction would be granted to United States District Courts to enforce an order, rule, or regulation issued under the Act.

TITLE XIX—GENERAL PROVISIONS

The general provisions of the bill would—

(1) Establish a National Commission on Agriculture Policy to study the structure, procedures, and methods of formulating and administering agricultural policies, programs, and practices of the United States. The Commission would be composed of 15 members appointed by the President from nominations submitted by the Governors of the States. The chairmen and ranking minority members of the House and Senate agriculture committees would be ex offico members of the Commission. The Commission would submit annual reports to the President and Congress and would terminate 4 years the date of enactment of the bill;

(2) Make several amendments relating to the Agricultral Stabilization and Conversation committees, including authorizing county ASC committees to petition the Secretary of Agriculture to change the number of local administrative areas in the county but not to exceed the number of local areas in the county on December 31, 1980; requiring that the members of the local committees be elected for 3-year terms instead of annually and that the local committees meet once a year and more often at the direction of the county ASC committee with the approval of the State ASC committees specifying the duties of local committees; and increasing the rate of compensation for county and local committee members by 10 percent from the rate in effect on the date of enactment of the bill;

(3) Authorize $57,067,300 to be appropriated for fiscal year 1986 to carry out the Federal Insectide, Fungicide, and Rodenticide Act and authorize such sums as are necessary for fiscal year 1987 to carry out such Act;

(4) Amend the Consolidated Farm and Rural Development Act to authorize the Secretary to make grants to nonprofit institutions for the purpose of enabling the institutions to establish and operate rural technology development centers;

(5) Expand the authority of the Secretary to change and collect user fees for the provision of pamphlets, reports, and other publications, to include the provision of software, and electronic publications, and to include all such materials prepared in the Department of Agriculture;

(6) Amend the Virus-Serum-Toxin Act of 1913 to authorize the Secretary to regulate the preparation, sale, and shipment of animal biological products in intrastate commerce and for export, as well as for interstate commerce. A 4-year transition period for intrastate animal biological products is provided. The bill also (i) authorizes the issuance of a special license under an expedited procedure for animal biological products that are designed to meet emergency conditions, limited market, or local situations, (ii) requires the Secretary to exempt from licensing requirements animal biological products prepared for use in the preparer's own animals, prepared by a license veterinarian for use in animals under such veterinarian's care, or intended for intrastate distribution in a State that licenses such products and meets certain other criteria, and (iii) makes applicable to animal biologicals the enforcement provisions of the Federal Meat Inspection Act regarding detentions, seizures, and injunctions;

(7) Amend the Poultry Products Inspection Act to require all poultry and poultry products, capable of use as human food that are imported into the United States, to be subject to inspection, sanitary, quality, species verification, and residue standards applied to poultry products produced in the United States. The amendment also would require that such imported poultry and poultry products be processed in facilities and under conditions at least equal to those under which similar products are processed in the Untied States. Any imported poultry article that does not meet the standards would not be permitted entry into the United States; and

(8) Provide that neither the Secretary nor any officer or employee of the Department of Agriculture may (1) use information furnished under provisions of certain specified Acts for a purpose other than the development or reporting of aggregate data in a manner such that the identity of the person who supplied the information is not discernible and is not material to the intended uses of the information, or (2) disclose the information to the public unless the information has been transformed into a statistical or aggregate form that does not allow identification of the person who supplied the information. Persons publishing or publicly releasing the information in any manner prohibited by this section would be subject to criminal penalties.

BACKGROUND

THE U.S. AGRICULTURAL ECONOMY

Agriculture is the nation's largest and most important industry. The American agricultural system accounts for one-fifth of gross national product and generates 23 million jobs. Agriculture presently contributes $19 billion to the U.S. balance of payments and is the largest positive contributor to our merchandise trade balance.

Today's agriculture is the product of significant change over the years—change that has probably increased with each passing decade. Today's farms, for example, are much more specialized, more capital-intensive, and more reliant on markets abroad than they were just 10 years ago. Consequently, U.S. farmers are more affected by general economic developments and policies, both here and abroad.

U.S. agriculture's importance today is directly tied to the efficiency and productivity of the American farmer. Each farmer, along with other related sectors, currently feeds and clothes 79 people here and abroad, up from only 7 people at the turn of the century. Agriculture's success story is also one of flexibility and capability. Farmers have shown the flexibility to respond to changing markets, combining their resources efficiently to produce needed products. The 1970's illustrate this adaptability—markets expanded rapidly and farmers increased output to meet the growing demand.

U.S. farm prosperity seemed assured forever in the 1970's. But today, not everything is as healthy in the farm sector as once expected, nor is the outlook as bright as it once was for rapidly expanding markets. Farmers face production and market conditions beyond their control—conditions which directly influence their well-being. The most recent and striking of these conditions stem from the increasingly close ties of the farm economy to the rest of the economy, both in the United States and abroad. At the same time, U.S. farmers have become increasingly dependent on highly variable world markets.

Clearly, U.S. farm prosperity is closely related to international agricultural production and markets. Farmers now depend on international markets to buy more than 40 percent of their crop output, ranging from one-fourth of the corn crop to three-fifths of wheat production. But international markets have been depressed in recent years and the U.S. share has eroded, causing grave concern about the future viability of American agriculture. This concern is magnified by domestic and trade policies of some other countries, which either restrict U.S. agricultural imports or give producers abroad an unfair advantage in moving products into export markets.

The years ahead may see even greater interdependence of U.S. Agriculture with economic and agricultural developments around the world and increasingly intense competition for global agricultural markets. This could well result from: technological breakthroughs and rapid adoption of new technology—spurred by international agriculturally related businesses, particularly the newer biotechnology companies; and by agricultural producers using new technological products to remain competitive in world markets, aided by the increasing use of computers to analyze technological and other impacts on commodity supplies and markets.

Situation and outlook

Just 5 years ago, world consumption of agricultural products was outpacing production. Trade was expanding rapidly. A record volume of nearly 164 million tons of U.S. agricultural products flowed into world markets. U.S. supplies were reduced by a severe drought, which cut the 1980 domestic feed grain crop by 17 percent.

Many were forecasting a "world food crisis" and scarcity beame a major issue. The Soviets suffered a 15-percent drop in grain production and expanded imports to a record 46 million tons. U.S. exports rose to a record value of nearly $44 billion. Global crop stocks were at greatly reduced levels.

But other events were underway that quickly dispelled concerns about world food shortages. A world-wide economic recession in 1981/82 cut into effective demand for agricultural products. Hardest hit were the developing countries, so dependent on exports to the industrialized world. Their debt problems mounted, reducing their own imports and consumption. This weakened demand faced expanded global supplies; and, at the same time, increasing minimum U.S. target prices, loan rates, and the rising dollar were propping up world prices. Farmers around the globe expanded acreage, and weather favored good yields. U.S. exports fell because of weak global demand, increased world production, and intense competition from subsidized exports from other suppliers.

Three years ago, big global crops were harvested again worldwide, global demand continued weak, and competition intensified in world markets. By the end of the 1982/83 crop year, world developments had resulted in further losses in the U.S. export market and favorable weather contributed to large U.S. crops in 1981 and 1982. This led to a rapid buildup in global stocks, held largely by the United States.

In 1983/84, facing this situation of large global stocks and low prices, the United States implemented the payment-in-kind (PIK), the largest acreage reduction program in history. A record 76 million acres were taken out of production. At the same time, the worst drought in 50 years hit spring-planted crops. Reduced acreage and the drought cut U.S. crops by one-fourth. But global demand continued to lag in 1983/84, and the U.S. share of world markets fell because of increased competition from other countries and the strong U.S. dollar, among other factors. Production in 1983/84 in other countries was up 5 percent for wheat, 8 percent for rice, 6 percent for corn, 7 percent for cotton, and 10 percent for soybeans. From the fall of 1980 to the summer of 1984, the dollar had appreciated about 40 percent in relation to major European currencies making U.S. products more expensive in world markets and giving an incentive for other countries to expand production, contributing to the decline in U.S. exports. The volume of U.S. exports in 1983/84 was 14 percent below the 1979/80 peak of 164 million tons.

Also, the United States lost markets to subsidized exports from other countries. For example, the European Community's (EC's) net expenditures for agricultural export subsidies (in European currencies) rose more than one-fourth between 1979 and 1983. And the EC went from a net importer of over 2 million tons of wheat and coarse grains in 1979/80 to a net exporter of over 10 million in 1983/84. Net sugar exports about doubled during the same period.

Although the sharp decline in U.S. production in 1983/84 greatly reduced surplus global stocks of feed grains, oilseeds, and cotton, the burden of this global adjustment fell almost entirely on the U.S. farmer and on the American taxpayer. U.S. crop output in 1983 was 14 percent below the 1980 level. U.S. Government outlays for price support activities rose from less than $3 billion in fiscal year 1980 to nearly $19 billion in 1983 before moderating to about $6 billion in 1984.

The outlook for 1984/85 is for expanded U.S. production and some increase in trade. But the underlying problem remains—global production is expected to remain above world demand. And advanced technology is increasing that potential.

The agricultural outlook for the rest of the 1980's is subject to the same uncertainties experienced in the earlier years of this decade. But events underway point to slower demand growth than in the 1970's, with several developing countries likely to face continued financial problems because of large debt servicing requirements. In contrast, production capacity has increased substantially in recent years, particularly outside the United States. So, it seems that future capacity to produce agricultural products far exceeds the likely level of demand, although there could be years of production shortfalls because of adverse weather. Technological advancement, adoption of new technology, and productivity gains could be a source of even faster agricultural output increases than now anticipated.

Thus, Congress, in developing U.S. farm legislation in 1985, must cope with this outlook for a continued supply-demand imbalance. (It should be noted that a supply-demand imbalance refers to potential overabundance of agricultural products in relation to market demand, rather than in relation to the world's population.)

Supply

The capacity to produce agricultural products increased sharply in the 1970's, as producers around the world responded to growing consumer demand. For crops, acreage expanded and growers achieved higher yields by increasing use of yield-enhancing inputs.

Production capacity is expected to remain large in the next several years, even in the absence of further expansion in the land base, because of productivity increases.

A host of factors will impact on global agricultural output, including water supplies, conservation practices, management skills, technology, weather, and production inputs. The latter three are expected to be of critical importance.

In the United States, fuller uses of the current land base, adoption of new technologies, and past increase in production efficiency could result in yearly output gains of 3 to 4 percent.

Technology and productivity

The prosperity of U.S. agriculture in the years ahead will be tied to changes in productivity and lower production costs in relation to product prices. Productivity, or output per unit of input, rose 2 percent annually during the 1970's and will continue to grow in the 1980's, both in the United States and abroad. Crop yields are increasing and livestock and poultry output is increasing in relation to feed use. It may well be that future productivity gains will exceed the 2-percent rate of the 1970's, spurred by the adoption of current technology and the development of new production methods.

Thousands of research projects are focused on improved agricultural technologies throughout the nation and the world. There is much uncertainty surrounding the future availability and rate of adoption of new technologies, including legalities involving the use of some and producer profitabilities associated with the adoption of others. Still, within the foreseeable future, many of these will result in more productive crops, more effecient farm machinery, and superior livestock and poultry.

Specific examples include the wide adoption of already developed hybrid wheat varieties which could mean an increase of one-fifth in wheat yields, leading to lower production costs, and possibly expanded wheat feed markets. This could result in a shift in emphasis to uses for feed rather than direct human consumption, and would have repercussions for corn and other feed grains. (Record wheat yields in the European Community are being achieved in 1984 by the increasing use of hybrids, and the average EC yield is double the U.S. average.) Or, if demand did not respond, it would mean much smaller wheat acreage to meet future needs and more land available for other crops.

For livestock, biotechnical innovations may have significant impacts on productivity of the dairy, poultry, and pork sectors and to a lesser extent on the more dispersed beef sector. It could mean, for example, that milk production needs would be met with a greatly reduced dairy nerd. This, in turn, would have significant implications for types of feed in demand.

Weather and climate

Another source of agricultural production change and uncertainty centers on increasing weather variability, which will continue to be the major cause of year-to-year shifts in crop yields. Since the early 1970's, weather variability in many regions of the world has been greater than at any time since the 1930's, although variability differs among global crops and regions. This has resulted in sharp changes in regional and global crop yields; even U.S. yield variability is increasing. The average variation in 1979–83 U.S. corn yields was 13 percent, up from 8 percent in 1964–68. Wheat yield variability rose from about 3 to 6 percent, while soybeans increased from 5 to 9 percent for the same period.

Since 1980, several countries have experienced weather-related record or near-record reductions in yields, insome cases caused by drought and in others, by too much rain. The most notable weather-related crop losses in the 1980's were in Australia in 1982; in South Africa in 1983 and 1984; in the United States in 1980 and 1983; in the USSR in 1981; and in Canada in 1984. Favorable weather helped produce record crop yields in the United States in 1981 and 1982 and in the EC in 1984, and China has experienced favorable weather and growing conditions in recent years.

Weather and climate obviously have important implications for U.S. farmers and policymakers. Several years of good weather can result in large crops and help turn a major grain and cotton importer, such as China, into an exporter. Or bad weather can result in a major exporter becoming an importer, as was the case in South Africa in 1983 and 1984.

General economy

Agricultural supplies also are strongly influenced by general economic conditions. Factors such as interest and inflation rates directly influence production costs and profitability, both in the United States and in other countries. U.S. farmers have increasingly turned to production inputs that must be purchased from nonfarm sources to achieve improved production efficiency and higher yields. Farmers now purchase more than three-fourths of production items from other parts of the economy, up from one-fifth 50 years ago. This closer link with other economic sectors means that farmers' well-being depends increasingly on areas where they have no control. Such factors can have a significant impact on production. For example, studies indicate an increase of 1 percentage point in the general inflation rate adds another $1.5 billion to total U.S. agricultural production expenses.

Increasing farmer purchases from other parts of the economy also have meant greater use of borrowed money and bigger debts. Interest expenses now account for nearly one-fifth of farmer's total cash outlays, up from less than one-tenth in the early 1970's. A 1-percentage-point increase in interest rates, on all farm debt outstanding, means a $2–3 billion decrease in net farm income, and correspondingly, a 1-percentage-point decrease in rates would increase farm income by a like amount—or about a 10 percent increase in net farm income of 1985.

In many other countries, agricultural supplies are sensitive to the same general economic developments as in the United States. But in some countries, steps are taken to offset the adverse impact on production of rapidly rising inflation or higher interest rates. Inputs to farmers may be subsidized to expand production for domestic needs or to increase exports. For example, Brazil encourages soybean production for export through a farm credit program, making money available to producers at interest rates well below the prevailng market rate. The Government of Argentina makes fertilizer available at below-market prices to stimulate grain production and to increase export availabilities.

In summary, advancing technology, increasing weather variability, and general economic conditions, both in the United States and abroad, are expected to play a major role in agriculture's future. All of these factors point to a need for flexibility in U.S. Farm Programs.

Demand

Global for agricultural products is likely to grow during the rest of the 1980's, but at a slower rate than in the 1970's. Fast demand growth was recorded in the developing countries in the 1970's, particularly in the oil-exporting countries. Rising consumer incomes meant expanded demand for animal products and resulted in increasing requirements for imported feed products, such as from grains and oilseeds. But the worldwide recession of the early 1980's dampened demand, and slow recovery is likely over the next several years.

Demand also may show slow growth in the more industrialized countries. While there is much less potential for growth in animal product consumption in these countries than in most developing countries, changing consumer tastes and preferences are likely to bring significant shifts in demand among the various foods and fibers. There is much uncertainty about the future demand for agricultural products in countries with centrally planned economies, with unknowns relating both to the level of demand and dependence on other countries to meet agricultural product consumption goals.

In the United States, total demand for agricultural products may expand 2–3 percent a year over the next several years. U.S. export volume is estimated by U.S.D.A.'s World Outlook Board to show a higher rate of growth, 3–4 percent, as compared with the 1–2 percent annual increase likely for domestic demand. Future demand for U.S. agricultural products will be directly impacted by a number of factors, both at home and abroad. These especially include technology, population, the economy, and trade and agriculture policies.

Technology

Technology will play a major role in demand for agricultural products. New uses of agricultural products or improved characteristics of current products certainly will cause shifts in product demand. Technological advancements in non-agricultural sectors and development of substitutes for agricultural products, such as manmade fibers for cotton and wool, also are a source of demand change.

Applied technology is expected to have a significant impact on how agricultural commodities are processed into food and other goods, and on the development of new products. New uses for agricultural products are being developed constantly. Research to develop new products mostly involves applying new technology to existing agricultural products. Changing supply and demand conditions often stimulate new product development, such as use of agricultural products (biomass) to replace higher-priced energy.

A number of agricultural products, including corn, have seen expanded markets through the development of new products and this could be the case in the future. High fructose corn syrup, for example, has shown a rapid increase in use and a growing share of U.S. sweeteners. Oilseed products could see use stimulated by technological advances, such as the use of soybean and sunflower oil for diesel-engine fuel. Examples can be cited for a wide range of agricultural products, which suggests much uncertainty about the impact of technology on future demand for specific kinds or types of agricultural products.

Population

Population will be a source of gains in agricultural product use. While a gradually slowing rate of increase is likely in global population into the 1990's, annual increases of 80-90 million people are expected.

Population expansion will be particularly significant in developing countries, where yearly gains of about 2 percent are likely, compared with less than 1 percent in developed countries. However, areas with the highest population growth rates, such as sub-Saharan Africa, have the greatest financial problems and lowest per capita income.

World economy

Global economic policies and developments will affect demand for agricultural products in many ways—through disposable consumer incomes, distribution of income and food price subsidies for consumers in many countries, inflation levels, interest rates, currency values, and budget deficits.

Slowed growth in world demand in the early 1980's, for example, largely stemmed from economic policies of the industrialized countries. Tighter monetary policies, designed to control inflation, resulted in a decline in economic activity in industrialized countries, causing a cutback in imports from developing countries and a subsequent drop in their economic growth. Not only was expansion in world agricultural trade halted, but the recent global recession actually caused it to decline 7 percent from the 1981–82 level.

When the world found itself in an economic recession in 1981, consumption of farm products and trade suffered. The most severe impact was experienced by developing countries, whose economic growth is highly dependent on exports to industrialized countries. Average economic growth in industrialized countries in 1981–83 dropped to 1.3 percent, from 3.5 percent in the 1970's; but developing countries' growth rates fell even more—to 0.7 percent, from over 6 percent in the 1970's.

Debt in developing countries increased to more than $800 billion and interest payments rose to $75 billion in 1984. These countries, the fastest growing markets for agricultural products, were hard hit. U.S. agricultural exports to developing countries as a share of the total declined in 1982, although they still took about one-third of all U.S. agricultural exports.

The economic recovery underway in most industrialized countries is increasing demand for products from developing countries—U.S. agricultural imports rose 15 percent in 1983/84.

But, global demand growth for feedstuffs will be moderated by slower gains in meat output and slow expansion in livestock herds. Demand for red meats was especially hard hit by the worldwide economic recession, and output has leveled off in the 1980's. This has reduced global demand for feed grains and oilseed meals. Also, feed consumption by milk cows will decline as cow numbers are lowered to reduce dairy surpluses, particularly in the United States and the EC. Poulty production has made only moderate gains in the 1980's, and this may be the case in the years ahead.

U.S. economy

Domestic economic conditions have a major impact on the demand for U.S. farm products. An economic slowdown, for example, dampens consumer demand for farm products. This was the case in 1981 and 1982 when the U.S. economy experienced periods of negative growth in real GNP. Real incomes also fell as unemployment rates rose, resulting in weak demand for farm products, particularly meats. Weakened demand for meats generally results in lower livestock prices that translate into reduced demand for feed grains as livestock and poultry producers cut inventories.

The U.S. economic recovery that began in 1983 and has continued in 1985 has strengthened the domestic demand for farm products. Much of this increase in domestic demand, however, was overshadowed by other developments such as the 1983 drought, the Payment-in-Kind (PIK) program, and exchange rates. The economy is expected to continue to grow over the next several years, but the rate of growth is expected to slow from that seen in 1984. This will result in modest growth in demand for farm products. However, this will be insufficient to remove expected large commodity supplies from the market at prices which provide all farmers good returns. Expected moderate growth in the economy suggests that inflation will be held down, with little upward pressure on farm production expenses.

With slow growth in domestic demand for agricultural products, U.S. farmers will be especially interested in supplies and prices of individual crops, such as wheat, and their shares of total feed demand. Feed requirements are expected to reflect slow growth in meat consumption, as population increases, and continued shifts among the meats.

Industrial uses may show some expansion, such as corn use as a sweetener or for ethanol production. But not much increase is seen in overall direct food uses of agricultural products.

U.S. producers will be looking to international markets to take a big portion of their crops. But U.S. exports will continue to feel the effects of dampened world demand. Competition for global markets likely will intensify in the years ahead. Many exporting countries have expanded acreage and production in the 1980's, despite relatively weak demand. Major foreign wheat exporters increased wheat production by more than one-fourth between 1980 and 1983, while U.S. output was up less than 2 percent. This permitted other wheat exporters to expand exports by one-third, while U.S. exports fell 6 percent and stocks rose 40 percent.

High interest rates and the strong dollar have hurt U.S. agricultural exports, increasing the price of U.S. products in world markets. Higher U.S. prices also send signals to producers abroad to expand their production, further reducing domestic prices and markets for U.S. products. As an example, the appreciation of the dollar in relation to major European currencies has meant almost a doubling in the European price of soybeans since 1980. But the price of soybeans to U.S. farmers has risen less than one-tenth. In contrast, U.S. grains are discouraged from use in EC through a system of variable levies which are essentially tax incoming products that compete with their own crops.

The outlook is for a continued relatively strong dollar, although below recent levels, as the economy recovery picks up abroad. It is estimated that a 10-percent change in the value of the dollar results in a 5-percent change in the opposite direction of U.S. agricultural exports. Also, the strong dollar can mean greater U.S. imports of comparatively lower-priced agricultural products. It should be noted, however, that the strong dollar benefits U.S. farmers by encouraging less expensive imports from abroad, which helps hold down production expenses and living costs. (Some researchers approximate that a 10-percent rise in the value of the dollar reduces the general U.S. inflation rate by 1 percentage point.)

Trade and agricultural policy

Trade policies also influence global agricultural demand, the flow of products into international markets, and U.S. exports of agricultural products. Often interrelated to domestic price support programs and economic policies, trade policies can also become a byproduct of these same programs and policies.

In the EC, for example, agricultural price support programs are designed to keep internal prices above world price levels to protect farm income. EC farmers have responded to these high prices, resulting in production far in excess of their domestic requirements. The surplus production, in turn, is sold with the use of export subsidies in world markets in competition with products from other suppliers. The EC, already a net exporter of animal products, sugar, and wheat, is likely to become a net exporter of feed grains in 1984/85. In some countries, such as Japan, internal prices are maintained at high levels and imports from world markets are restricted. In other countries, deficit in food production, support programs intended to expand output result in inefficient use of scarce resources.

Trade policies can have far-reaching effects. Agricultural trade can be hurt by issues involving agricultural as well as nonagricultural products. Or economic slowdowns in countries around the world can stimulate policy actions designed to dampen trade in agricultural products. Importing countries, through government changes in licensing and controls on the use of foreign exchange, can slow imports of agricultural products to help ease debt and exchange problems.

Goals of increased self-sufficiency by governments abroad also can have a very significant impact on U.S. exports of agricultural products. Communist China, for example, was the major importer of U.S. wheat a few years ago. But today, incentives to expand production and improved yields have turned the PRC into a net exporter. The EC would like to achieve self-sufficiency for oilseeds and products. Conversely, the Soviet Union has suffered six poor crops and has turned to world markets to meet production shortfalls.

Trade policies abroad will continue to be a source of major variation and uncertainty concerning U.S. agricultural exports. An illustration is provided by the two countries already mentioned, the USSR and China. In just 1 year's time, from 1981/82 to 1982/83, combined U.S. grain exports to these countries dropped from 30 percent of total U.S. exports to 21 percent.

Future policies of several large countries likely will have considerable impact on world commodity supply and demand conditions. Communist China, for example, has much potential for expanding animal-product consumption, which would require significant quantities of feedstuffs. If consumption increases, the key uncertainty is whether animal-feed needs would be met by expanded domestic production or by increased imports. Even though China turned more to world trade several years ago, particularly for wheat and cotton, agricultural imports have dropped recently and represent a small portion of domestic needs. In contrast, the Soviet Union has become more dependent on agricultural imports to meet domestic needs, particularly for grains. Here, too, there is considerable uncertainty about the outlook for imports, given Soviet goals to expand agricultural output.

The structure of U.S. agricultural price support programs also has reduced U.S. exports in some cases. Analyses show that in years of global surpluses, with U.S. prices at or near loan rates, U.S. products are not as competitive in world markets, generally resulting in declines in the U.S. market share.

Rice provides an example of losses in world markets because U.S. prices were not competitive. The volume of U.S. exports fell a third over the past 3 years, while Thailand's exports rose over one-third. Thai prices averaged substantially below U.S. support prices. Honey provides another type of example where lower-priced imported honey flows into domestic use while higher-priced U.S.-produced honey goes into Government stocks.

The task of predicting U.S. agricultural exports is difficult. It appears that the farmer and the Government will be forced to adjust decisions and policies to adopt to a world that presents more variability than in the past.

In summary, the overall demand for U.S. agricultural products may expand 2–3 percent a year, well the 3–4 percent growth in production. Productivity growth alone could match or exceed the 2-percent annual growth of the 1970's, and could rise faster depending on technological developments.

Thus, the outlook for the rest of the 1980's is for a continuing imbalance of global agricultural production in relation to demand. For the United States, this suggests increased competition from other countries for slowly growing world markets, accumulation of surplus world stocks in the United States if present policies are continued, and continued pressures on U.S. farm prices and incomes.

However, uncertainties in the outlook must be recognized. The early 1980's have been characterized by increasing uncertainty and variability, caused by changing weather patterns, worldwide economic developments, and Government trade and agricultural policy modifications. While the second half of the decade promises no more certainty, experiences of the early 1980's do suggest areas to examine and the need to try to analyze sources of greater uncertainty in the years ahead.

The Future

Looking beyond 1990 involves taking into account even more uncertainties than the near-term outlook. Technological developments are the key uncertainty. The American farmer has demonstrated the capability to adjust to change, to combine resources in an efficient manner, and to compete with other farmers around the world. The ability of U.S. farmers to compete in an ever-changing environment in the years ahead will require additional technological advances along with increased flexibility to respond to shifting economic conditions.

Technological advances helped make productivity gains for U.S. agriculture and the success story of the American farmer possible. Greater adoption of current technology and incorporation of new advances will benefit American farmers and U.S. agriculture in the years ahead. Consumers will continue to reap the benefits of a more efficient agriculture in the form of abundant supplies at reasonable prices. Ironically, these same technologies may contribute to a potentially larger supply-demand imbalance in the absence of unforeseen economic and policy developments.

The potential for the development and adoption of new technology probably has never been greater. Biotechnologies particularly are far-reaching in their potential impact on agricultural productivity, assuming legal acceptance of its products and profitability of adoption by producers. The greatest impacts likely will come first for animal agriculture, since knowledge and technological limitations are greater for plants, particularly in the area of plant physiology.

The products of biotechnologies may include: improved efficiences in animal product production, for example, resulting from multiple births and better disease control; bioregulated selection of desirable traits in animals and plants, with genetic modifications taking somewhat longer for animals and much longer for plants; increased plant yield through bioregulation and tissue culture technologies, perhaps in the next 5–10 years; higher plant yields through genetic engineering, likely within 10–20 years, depending on the plant species; and increased or diversified utilization of commodities through biotechnological conversions to existing and new products.

Several factors point to the potential for rapid adoption of technological products around the world. Many agricultural input suppliers, such as the newer biotechnology companies and seed companies, are international in scope and have a vested interest in the use of their products. Agricultural producers may have to take advantage of technology to remain competitive in world markets, and producers are expected to increasingly have computers available to analyze technological and other impacts on commodity supplies and markets.

More specifically on technological advances, plant breeding, genetic engineering, and increased use of plant growth regulators are expected to produce higher yielding crops. Recombinant DNA (gene splicing) and plant tissue culture are expected to speed development of superior plant varieties.

In the area of genetic engineering and conventional plant breeding, crops likely will have increased resistance to disease, insects, and nematodes. Variation in temperature, water availablity, and competition from weeds will have less effect on new, more resistant varieties of tree crops, potatoes, soybeans, corn, and grain sorghum.

Development of salt-tolerant varieties may enable production of crops in areas with saline soil and water. This, coupled with new methods of irrigation, should extend the geographic boundaries of commercial crop production. Improved seed treatments and introduction of nitrogen-fixing capabilities into nonleguminous plants may reduce production costs and result in higher yields.

Plant breeding will allow output of plants such as oilseeds to have a better amino acid balance enabling them to offer greater potential as human foodstuffs and as livestock feed. Genetic engineering can alter plant structures and shapes to improve harvesting and maturing processes with a potential reduction in production costs and improvement in quality. Improved rates of photosynthesis are in sight, resulting in faster growth rates and yield increases ranging from 20–50 percent for crops such as wheat and soybeans.

Faster growth rates would permit double cropping in certain areas and crop production in regions around the world where current growing seasons are short. In Peru, for example, researchers are growing crops on the same fields for the thirteenth year, triple-cropping rice, corn, peanuts, and soybeans, and achieving high yields. This success story is based on addition of lime and trace minerals, which leach out of the acid soils due to high rainfall.

Among the major crops, especially grains and oilseeds, output may face significant impacts from these new technologies, including possible changes in global areas of production. Output and yield could be increased substantially from one or more of the following:

> A plant growth hormone, with reportedly wide application, could shorten the time plants need to reach maturity, thus enabling some varieties to be grown under more extreme climatic conditions with shorter growing seasons such as found in Canada, the Soviet Union, and Southern Argentina;
>
> Plants may be grown in the future in more extreme environments such as in colder temperature, saline soil, and drier conditions (geneticists are using conventional methods to make plants more tolerant to hostile conditions,while biotechnologists have developed and are field testing a bacterium that makes plants tolerant to temperatures a few degrees below freezing);
>
> The technology used to develop hybrid wheat apparently can be used to develop hybrid barley; and

Advancements are likely for pesticides and growth stimulants.

New and improved animal technologies point to faster growth rates, less feed use per unit of output, increased disease resistance, and more offspring per animal. Animal diets could consist of more forages and crop byproducts, and be supplemented with more minerals, vitamins, amino acids, and other nutrients. Technological improvements and cost reductions may lead to the widespread adoption of improved reproduction techniques, including embryo transfers. Genetic engineering, including recombinant DNA technology, likely will enhance feeding efficiency, animal health, and product quality.

USDA already has produced the world's first fully safe vaccine for foot-and-mouth disease, using genetically engineered bacteria. Development of an equally effective vaccine for cattle fever in Africa and other countries can be expected in the future, with wide-ranging effects on global trade. USDA also has produced the world's first viral insecticide which attacks ssuch worldwide pests as corn earworm, tomato hornworm, soybean podworm, and tobacco budworm. The new insecticide is expected to reduce pest losses with no negative environmental impact. Also resulting from new technology, electrostatic spraying will enable more efficient use of pesticides.

Significant technological advancement and adoption also are expected to impact on the demand for agricultural products. Many food companies, too, are international in scope. They are likely to spur development and use of new products, particularly if economic incentives are present.

New products expected to be produced by genetic engineering include food preservatives, colorants, artificial sweeteners, flavorizers, tenderizers, vitamins, organic acids, gums, and compounds to remove substances toxic to humans, all of which can be used in processing to improve the appearance, quality, and safety of food. Genetic engineering could provide a new source of more enzymes, the catalysts used in manufacturing processes for the production of corn sugars and cellulose conversion to sugars, starches, and alcohols. In conjunction with other bioengineering technologies, today's fermentation processes should become more efficient, resulting in lower costs. Application of the biotechnologies is expected to result in new foods and food ingredients such as crystallized high fructose corn sugar and single-cell protein. Some of these foods and ingredients already are being produced commercially. In addition, advancements in biotechnology could determine the future importance of alcohol produced from biomass as a substitute for petroleum.

Among the crops, the manipulation of genes to alter nutrients continues and could have significant implications, particularly for grains and oilseeds. Currently there are high-lysine corn and prospects for improving the amino acid profile of soybeans for animal feeds. Such advancements could reduce the protein meal used for producing a unit of animal product by a significant amount.

Use of grains and oilseeds are likely to be affected by some new technologies being tested, promoted, or used farther up the food chain. Fermentation and other processes have been introduced to produce the essential amino acids. Methionine and lysine are being commercially produced and used extensively to fortify feeds for swine and poultry. Once their prices become more competitive, other amino acids such as tryptophan are likely to find their way into animal feeds and displace additional quantities of animal and vegetable protein meals such as soybean and cottonseed, corn gluten, and others. However, the displaced meals may be replaced, in part, by high-energy grains such as corn.

Several million tons of single-cell protein are finding their way into animal and human foods. Single-cell protein is still expensive and poses no immediate threat to the use of high protein meals in animal feeds. But, biotechnologists continue to work on cost-reducing methods to produce it, which could lead to significant advancement in the years ahead.

Also, soybeans may face increased competition in the vegetable oil markets. Researchers abroad are attempting to improve the yield and quality of palm oil in order to make it superior to soy oil for food use purposes.

New fermentation and enzyme technologies are having a major effect on the sweetener industry which includes the use of corn as a source of fructose as well as alcohol and glutens. Advancements in fermentation technology, including scale-up and continuous processing rather than batch processing, have introduced additional economies of scale. New enzymes have been introduced that speed up fermentation and the cost of enzymes has been reduced by more than one-half. The result is a constant lowering in the unit costs to produce high-fructose corn syrup, alcohol, and other byproducts.

Now that high-fructose corn syrup is a key ingredient in soft drinks, researchers are working on cost-effective methods to crystallize fructose that could replace traditional sources, sugarcane and beet, in the household and for other food uses.

But the success of corn fructose sugar could face increased competition from another product, the noncaloric sweetener. Aspartame, a product of the biotechnology, is being widely introduced into low-calorie drinks. Several new sweeteners have been developed and tested which could further increase competition once approved and introduced into the market.

The list is almost endless for both production and demand. But technological improvements and productivity gains, plus demand growth, will be needed to keep U.S. agriculture competitive in world markets: yet, significant advances also are expected in other countries. Technological developments for plants and animals will undoubtedly mean even more rapid gains in productivity and output, further adding to global production potential.

In summary, it is within this environment of technological advances, increasing yield variability, and ever-changing economic conditions that U.S farm legislation is being considered in 1985. A review of historical and recent developments shows that the health of agriculture is directly affected by events both within and outside the sector and reveals the uncertainties and complexities involved in forecasting the future. The need is illustrated, too, for flexibility in dealing with unknowns, and coping with future events, both by producers and Government.

Statistical analysis

PER FARM INCOME BY SALES CLASS, 1984 [1]

	Sales class			
	Greater than $250,000	$100,000 to $250,000	$20,000 to $100,000	Less than $20,000
Average:				
Net cash farm income	$84,595	$25,679	$3,884	–$3,742
Off-farm income	$12,294	$10,594	$13,718	$19,297
Total income	$96,889	$36,273	$17,602	$15,555
Government payments	$10,947	$5,675	$1,781	$146
Equity	$904,446	$429,891	$246,220	$136,775
Cash sales	$525,513	$139,639	$45,974	$6,029
Government payments as a percent of average:				
Net cash farm income	13.0	22.1	45.9	NA
Total income	11.3	15.7	10.1	0.9
Cash sales	2.1	4.1	3.9	2.4
Percent of total:				
Cash sales	46.2	28.7	20.9	4.2
Government payments	31.7	38.3	26.7	3.3

[1] All data are preliminary.

Source: U.S. Department of Agriculture.

U.S. DEPARTMENT OF AGRICULTURE, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, FREQUENCY DISTRIBUTION OF PRODUCER PAYMENTS FOR CALENDAR YEAR 1984

[Total all programs, United States]

Range of total payment (dollars) [1]	Number of payees (1)	Percent distribution (2)	Total amount (3)	Percent distribution (4)
1.00	108,846	11,91	$5,318,593	.15
100.00	76,377	8.37	11,205,849	.29
200.00	143,008	15.67	47,928,222	1.24
500.00	61,785	6.77	36,711,133	.95
700.00	67,576	7.40	56,838,120	1.47
1,000.00	125,953	13.80	180,615,714	4.68
2,000.00	67,166	7.36	165,131,546	4.28
3,000.00	47,580	5.21	164,877,340	4.28
4,000.00	30,813	3.38	137,923,685	3.58
5,000.00	50,726	5.56	311,459,606	8.08
7,500.00	31,631	3.47	274,099,784	7.11
10,000.00	37,571	4.12	459,738,159	11.92
15,000.00	20,873	2.29	360,315,209	9.34
20,000.00	12,587	1.38	280,929,196	7.28
25,000.00	8,349	.91	228,205,447	5.92
30,000.00	5,781	.63	186,959,002	4.85
35,000.00	3,847	.42	143,612,836	3.72
40,000.00	2,824	.31	119,581,341	3.10
45,000.00	2,041	.22	96,608,540	2.51
50,000.00	1,716	.19	89,580,216	2.32
55,000.00				
55,000.01	4,767	.52	330,643,967	8.57
100,000.00	833	.09	106,170,600	2.75
200,000.00	140	.02	38,312,586	.99
500,000.00	18		12,177,042	.32
1,000,000.00 and over	5		11,414,264	.30
Total	912,813	100.00	[2] 3,856,357,997	100.00

[1] 0.005 percent or less.

[2] Frequency range, starting with range $1, is from amount shown to $0.01 less than the next higher frequency amount.

DISTRIBUTION OF FARM PROGRAM DIRECT PAYMENTS

Payment amount	Number of payees	Percent of total payees	Total dollar amount	Percent of dollar amount
$1 to $999	457,592	50.1	158,000,000	4.1
$1,000 to $9,999	353,869	38.6	1,234,000,000	32.0
$10,000 to $19,999	71,031	7.8	1,101,000,000	28.5
$20,000 to $24,999	8,349	.9	228,000,000	5.9
$25,000 to $29,999	5,781	.6	187,000,000	4.9
$30,000 to $39,999	6,671	.7	263,000,000	6.8
$40,000 to $49,999	3,757	.4	186,000,000	4.8
$50,000 and above	5,763	.6	498,000,000	12.9

TABLE 3—FARM BALANCE SHEET BY VALUE OF SALES CLASS, JAN. 1, 1984

Sales class	Percent of—			Debt-to-asset ratio, percent	Per farm (dollars)		
	All farms	Total assets	Total liability		Assets	Liabilities	Proprietors' equity
Less than $5,000	35.0	9.9	5.3	11.1	123,337	13,743	109,594
$5,000 to $9,999	13.7	5.6	3.3	12.4	176,486	21,952	154,535
$10,000 to $19,999	11.8	6.8	4.7	14.4	252,110	36,242	215,868
$20,000 to 39,999	11.4	10.3	7.6	15.3	391,006	59,788	331,217
$40,000 to $99,999	16.1	24.3	22.4	19.1	657,875	125,976	531,899
$100,000 to $199,999	7.5	19.3	20.1	21.8	1,121,393	244,084	877,309
$200,000 to $499,999	3.5	13.8	18.3	27.5	1,721,670	474,212	1,247,458
$500,000 and over	1.0	10.0	18.3	38.1	4,331,889	1,652,376	2,679,513
Total of all-farm average	100.0	100.0	100.0	20.8	435,120	90,591	344,529
$40,000 and over	28.1	67.4	79.1	24.4	1,045,156	255,353	789,803

Source: "Economic Indicators of the Farm Sector: Income and Balance Sheet Statistics, 1983," ECIFS 3-3, Economic Research Service, USDA, September 1984.

Who does the farming?

It is difficult to draw conclusions regarding the Nation's agriculture by looking at total national figures or national averages.

You can get a clearer picture by looking at three broad groups in agriculture. The groups are farm operators with sales of less than $20,000 a year; those with sales of $20,000 to $99,999; and those with sales of $100,000 or more.

Here are some measurements of those three groups for 1983:

	$100,000 and over cash sales	$20,000 to $99,999 cash sales	Less than $20,000 cash sales	Total
Number of farm operators	284,000	653,000	1,433,000	2,370,000
Percent of farms	12	27½	60½	100
Cash sales and income (billions)	$100.0	$39.5	$10.1	$149.6
Cash income per farm	$351,965	$60,461	$7,059	$63,103
Percent of cash income	66.8	26.4	6.8	100
Gross farm income (billions)	$102.7	$43.2	$17.2	$163.2
Gross income per farm	$361,592	$66,199	$12,033	$68,845
Percent of gross farm income	62.9	26.5	10.6	100
Farm production expenses (billions)	$79.3	$38.4	$17.6	$135.3
Production expenses per farm	$279,324	$58,750	$12,302	$57,097
Percent of production expenses	58.6	28.4	13.0	100
Net farm income (billions)	$23.4	$4.9	−$0.39	$27.8
Net income per farm	$82,271	$7,449	−$269	$11,748

	$100,000 and over cash sales	$20,000 to $99,999 cash sales	Less than $20,000 cash sales	Total
Percent of net income	82.8	17.2	– 0.0	100
Off-farm income (billions)	$4.0	$8.0	$29.0	$41.0
Off-farm income per farm	$14,007	$12,207	$20,267	$17,297
Percent of off-farm income	9.7	19.5	70.8	100
Combined farm, off-farm income (billions)	$27.3	$12.8	$28.7	$68.8
Combined income per farm	$96,278	$19,655	$19,998	$29,045
Percent of combined income	39.7	18.7	41.6	100

Source U.S. Department of Agriculture

Small farmers

The following conclusions become evident regarding the 1.43 million farm operators with sales of less than $20,000 for the year 1983:

60 percent of the Nation's farms sell 7 percent of the Nation's farm products.

These 1.43 mil. small farmers sold an average of $7,059 of farm products per farm in 1983.

Farm programs designed to raise farm commodity prices can contribute little to the success of these 1.43 million farm operators since they sell a small part of the Nation's farm output—93 percent of the farm commodities are sold by larger farmers.

For the 9 years 1974–82 direct Government payments to these small farmers averaged about $150 per farm operator. In 1983, when the largest Government payments in history were made to farmers, and when whole-farm PIK could apply to small farms, the average direct payment per small farm was $753.

The net farm income of these small farmers has been a minus as a group every year since 1976. Net income averaged a minus $269 per farm in 1983. Several years of experience suggest that is not likely to change very much, regardless of Government farm programs.

These 1.43 mil. small farm operators, 60 percent of the Nation's farms, do not make a living from their farming. To them farming is a way of life, but not a way to make a living. They have stayed in the country or moved to the country for its living values and rely on off-farm work for their income.

The off-farm income of these small farms averaged $20,267 per farm operator family in 1983. They received 71 percent of the Nation's $41 billion in off-farm income earned by farm operator families.

The combined net income and off-farm income of these 1.4 mil. small farm operators in 1983 averaged $19,998 ($20,267 off-farm income minus $269 loss from farming). That was higher than the $19,655 combined average income for farms with sales of $20,000 to $99,000. Those mid-sized farmers sold an average of $60,461 per farm, 8½ times the average sales for the small farms, but these larger farms averaged slightly less combined income.

The 1.43 mil. small farmers sold 7 percent of the Nation's farm commodities, but they got 41.6 percent of the combined off-farm and net farm income collected by the Nation's farmers.

The 1.43 mil. small farms paid 13 percent of the Nation's farm production costs; however, the effect of that 13 percent on agribusiness and rural town marketing and farm service establishments was still rather modest. Other farms paid $7 out of $8 of production cost outlays and sold $9.30 out of every $10 marketed. The effect of small farmers on other rural purchases, however, was substantial since the small farms got 41.6 percent of the Nation's combined off-farm and net farm income.

Source: U.S. Department of Agriculture.

The nature of agriculture in the last 25 years has changed remarkably. This table shows some of the changes:

SIZE OF FARM SALES

	$100,000 and over cash sales	Percent	$20,000 to $99,999 cash sales	Percent	Less than $20,000 cash sales	Percent	All farms
Number of farms:							
1960	23,000	1	317,000	8	3,623,000	91	3,963,000
1970	53,000	2	467,000	16	2,429,000	82	2,949,000
1980	287,000	12	667,000	27	1,474,000	61	2,428,000
1983	284,000	12	653,000	28	1,433,000	60	2,370,000
Cash income:							
1960	$265,261	17	$37,776	34	$4,725	49	$8,881
1970	347,340	34	48,000	41	5,747	25	18,570
1980	338,847	68	54,994	25	6,379	7	59,033
1983	351,965	67	60,461	26	7,059	7	63,103
Gross income:							
1960	267,391	16	39,249	32	5,494	52	9,714
1970	349,849	32	49,587	39	7,052	29	19,948
1980	347,359	64	60,115	26	10,809	10	64,136
1983	361,592	63	66,199	26	12,033	11	68,845
Production expenses:							
1960	236,652	20	29,543	34	3,469	46	6,908
1970	251,566	30	35,831	38	5,923	32	15,074
1980	263,958	49	54,822	28	11,279	13	53,108
1983	279,324	59	58,750	28	12,302	13	57,097
Net income:							
1960	30,826	6	9,707	28	2,025	66	2,806
1970	92,283	36	13,756	45	1,129	19	4,874
1980	83,404	87	5,294	13	−469	0	11,029
1983	82,271	83	7,449	17	−269	0	11,748
Off-farm income:							
1960	NA	NA	1,978	7	2,168	93	2,806
1970	7,792	2	3,587	19	6,393	88	4,874
1980	11,948	9	10,778	19	18,284	72	15,474
1983	14,007	10	12,207	19	20,267	71	17,297
Combined income:							
1960	NA	NA	11,685	23	4,193	77	4,946
1970	100,075	18	17,343	25	7,552	57	10,848
1980	95,352	42	16,072	17	17,815	41	26,503
1983	96,278	40	19,655	19	19,998	41	29,045

Source: U.S. Department of Agriculture.

In 1964 off-farm income exceeded net income for the first time. Except for 3 years since—1966, 1973, and 1974—total off-farm income of farm operator families has exceeded the Nation's net farm income.

Between 1960 and 1980 the Nation's farm income increased 84%, but off-farm income of farm families increased 343%. In 1960 total off-farm income was one-fourth less than the Nation's net farm income; by 1980 off-farm income was three-fourths more than net farm income.

The rapid growth of off-farm income is a phenomenon of the 1960's and 1970's. Earlier, in the 10 years between 1950 and 1960, off-farm income increased only a half-billion dollars. But in the next 10 years, between 1960 and 1970, off-farm income increased $9 bil.; and in the next 10 years, between 1970 and 1980, it increased $20 bil., a truly remarkable growth.

The 1960–80 increase in off-farm income is even more astounding when you consider the reduction in farm families earning the income. In 1960 there were 3,623,000 farm operator families selling less than $20,000 of farm products per year. They collected $7.9 bil. in off-farm income, or an average of $2,168 per farm operator family. In 1980 there were 1,474,000 of these small farmers—59% fewer—and they collected $27 bil. in off-farm income, or an average of $18,284 per farm operator family—an increase of 743% in 20 years.

Contrast that with direct Government payments to small farmers. In 1960 the 3,623,000 small farmers collected $484 million in direct Government payments, or $134 per farm operator family. That is 6% as much as their 1960 off-farm income. In 1980 the 1,474,000 small farm operator families collected $289 million in direct Government payments, or $196 per farm operator family. The Government payments were 1% as much as their 1980 off-farm income.

Quite clearly, what really helped small farmers in the 1960's and 1970's was off-farm income, not farm programs. The growth in off-farm income occurred as part of the Nation's normal economic development and as a result of small farmers adjusting to their own economic opportunities.

The nature of small farms has changed remarkably in the last 25 years. In 1960 the 3.6 mil. small farmers sold 49% of the Nation's farm commodities, paid 46% of the production expenses, and got 66% of the net income. In 1970 the 2.4 mil. small farmers sold 25% of the farm commodities, paid 32% of the production expenses, and got 19% of the net. In 1980 the 1.4 mil. small farmers sold 7% of the farm commodities, paid 13% of the production expenses, and got no net income.

The combination of increasing farm size, the growth in off-farm income, and the reduction in small farm numbers has made agriculture substantially different from 25 years ago. It has also changed the role of farm programs, which traditionally have been regarded as programs for small farmers.

Source: U.S. Department of Agriculture.

From the founding of the Nation until just before World War II, the number of farms in the U.S. was rising. In 1940 we had 6.35 million farms, about 150,000 fewer than during the peak in the 1930's. This table shows the 10-year changes since:

CHANGE IN NUMBER OF FARMS

Year	Number of farms	Number of loss that decade	Percent loss	Average size (acres)	Value per acre (dollars)
1940	6.35	702,000	11.1	167	32
1950	5.65	1,685,000	29.8	213	65
1960	3.96	1,014,000	25.6	296	117
1970	2.95	521,000	17.7	373	196
1980	2.43			429	726

Source: U.S. Department of Agriculture.

The big decline in farm numbers came in the 1950's and 1960's. Although farm programs were designed to keep small farmers from being forced off the land, possibly the greatest migration out of farming in the history of developed nations took place in the United States in the 1950's and 1960's. The decline was among those farm operator families selling less than $20,000 of farm commodities per year.

Year	Sales: $100,000+			$20,000 to $99,999			Less than $20,000		
	Number of farms	Percent change	Percent of all farms	Number of farms	Percent change	Percent of all farms	Number of farms	Percent of change	Percent of all farms
1960	23,000		0.6	317,000		8.0	3,623,000		91.4
1970	53,000	130	1.8	467,000	47	15.8	2,429,000	−33	82.4
1980	287,000	440	11.8	667,000	43	27.5	1,474,000	−39	60.7

What happened to the 2,149,000 decline in small farms (from 3,623,000 to 1,474,000) in the 20 years 1960–80? Some of them moved up in size. There were only 340,000 farms in 1960 with sales of $20,000 or more; by 1980 there were 954,000—an increase of 614,000. A very high percentage of those 614,000 came from the 2,149,000 farm operator families who vacated the small farm ranks.

With the average age of farmers being in the 50's in 1960, many who were farming in 1960 were no longer farming in 1980. Hundreds of thousands who took off-farm work during the huge increase in off-farm jobs and off-farm income in the 1960's and 1970's no longer actively farmed in 1980. Typically, as farmers took part-time jobs in the 1960's and 1970's they stopped raising livestock and poultry that required being on the farm throughout the day for regular chores or to handle special situations such as farrowing and calving. Next, as machinery wore out or the stress of trying to keep up with planting and harvesting while working off the farm bore down on them, they rented their land and were no longer counted as farm operators.

Farms are counted by farm "operating units," not by ownership of land or the families living on farms. If three small farmers take off-farm jobs and rent their land to a neighbor who operates all three places, those three and the neighbor's farm are now counted as one farm operation. Thus the decline in the number of farms—the way they are counted—is substantially greater than the decline in the number of farm parcels owned. Similarly, farm population is counted as those operator families actually living on farms and farm worker families living on farm operating units (in rent-free housing) in the country. Thus farm owner families who don't operate the farm, but live in a farm home in the country, and farm operator families who live in town, and farm worker families who don't live in rent-free housing on the farm, together substantially exceed the official farm population.

What has happened to the small farms in the revolutionary period of the last 25 years? To put it simply: They adjusted. Overall, they adjusted upward in terms of income, security, amenities of life, and preparing for retirement. They weren't content to live as Spartan a life as farmers had done for generations. And they didn't need to. Many young families were not content to spend 40 years "living on a shoestring" paying for a farm from the land itself as many of their parents had done. Instead, they used part-time work, and off-farm income, and rented land to help them get started in farming and move up the ladder. That was, and is, their main "farm program."

Medium-sized farms

Now let's look at the second group of farms—those selling $20,000 to $99,000 of farm commodities per year.

In 1983 the medium sized farmers sold 27% of the Nation's farm commodities and they paid 28% of the total farm production costs. But they cleared only 17% of the Nation's net farm income.

These farmers had an average gross income of $66,619 per farm in 1983, with $58,750 in production expenses, and a net income per farm of $7,449. This gave them a net return of 11.2¢ for each dollar of gross income and a return of 12.7¢ for each dollar of farm production cost. In 1960 it had been 24.7¢ and 32.9¢.

This group of farmers got 19% of the Nation's off-farm income in 1983. They averaged $12,207 in off-farm income in 1983, nearly two-thirds more than their $7,449 average net income per farm from farming.

The combined farm and off-farm income for these mid-sized farm operators totaled $19,655 in 1983. This was $343 less than the average combined income of those farmers selling less than $20,000 a year of farm commodities.

The number of these farms has increased the most among the three groups, moving from 317,000 in 1960 to 653,000 in 1983, with increases of more than 40% in the 1960's decade and in the 1970's decade.

Source: U.S. Department of Agriculture.

The relative agricultural contribution of these mid-sized farms reached its peak in 1970 when they accounted for 39% of the Nation's gross farm income, 38% of the Nation's farm production expenses, and 45% of the Nation's net farm income. In 1983 they accounted for 26% of the gross, 28% of the production expenses, and 17% of the net farm income.

Off-farm income is of increasing importance to these mid-sized farms. Off-farm income accounted for 17% of their combined net farm income and off-farm income in 1960, 21% in 1970, 67% in 1980, and 62% in 1983.

In 1960 these mid-sized farms received $188 mil. in direct Government payments, or an average of $593 per farm. In 1970 they received $1.5 bil. in direct Government payments, an average of $3,285 per farm. In 1980 they received $569 mil. in direct payments, an average of $853 per farm. In 1983 they received $4.1 bil. in direct Government payments, an average of $6,265 per farm.

In 1960 these mid-sized farms made up 8% of all farms and received 27% of total direct Government payments. In 1970 they made up 16% of all farms and received 41% of total direct Government payments. In 1980 they made up 27% of all farms and received 44% of total direct Government payments. In 1983 they made up 28% of all farms and received 44% of total direct Government payments.

This shows the off-farm income and direct Government payment components of the total income for this group.

Year	Average direct Government payment		Average off-farm income		Average net income without Government payments		Average combined income	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
1960	593	5	1,978	17	9,114	78	11,685	100
1965	1,968	15	2,869	21	8,634	64	13,471	100
1970	3,285	19	3,587	21	10,471	60	17,343	100
1975	586	3	5,447	32	11,271	65	17,304	100
1980	853	5	10,778	67	4,441	28	16,072	100
1983	6,265	32	12,207	62	1,184	6	19,655	100

Source: U.S. Department of Agriculture.

That break-down might suggest that direct Government payments are made without cost to the farm operator. That is not the case, since the farm program participant must maintain a conservation cover on land taken out of production by farm programs. Farm program participants also forego the income (at no increase in fixed costs) that would have come from planting land set-aside to qualify for the farm program. Presumably, the reduced production will enchance prices enough on the production from planted acres to offset the production foregone by setting aside land.

In view of how farm program price support loans and income payments have boosted production in the U.S. and stimulated competing production abroad, some feel it is debatable whether farm programs have raised commodity prices enough to offset the loss of potential income from acres farm program participants set aside. However, the direct Government payments listed do not include other Government-source income, such as from forfeited nonrecourse loans, storage payments, and production resulting from Government loans and advance payments.

Larger farms

Now let's take a closer look at the larger U.S. farms that sell $100,000 or more of farm commodities per year:

The fastest growing segment of American agriculture is the farms selling $100,000 or more of farm commodities per year. In 1960 these 23,000 farmers represented six-tenths of 1 percent of the Nation's 3,963,000 farms. That year these larger farmers collected 16% of the Nation's gross farm income and paid out 20% of the farm production expenses, and netted 6% of the Nation's net farm income.

Twenty years later, in 1980, the 287,000 large farms (up 264,000) represented 12% of the Nation's farms, collected 64% of the gross income, paid 59% of the farm production expenses, and netted 87% of the Nation's net farm income.

In 1983 large farms had an average gross income of $347,359, production expenses of $263,958, and a net income of $83,404. These farms received 24¢ net on each dollar of gross and 31.6¢ per dollar of production outlays. This return was more than twice the return per dollar for mid-sized farms selling $20,000 to $99,999 annually. Small farmers had a loss from farming of 2.2¢ per dollar of gross income.

Large farms collected an average of $14,007 in off-farm income in 1983. That was more than the $12,207 average for farmers selling $20,000 to $99,999 annually, but it was well below the $20,267 average for farm families operating farms with sales of $20,000 or less.

As measured by combined farm and off-farm income, the large farms averaged $96,278 per farm operator family in 1983, which was 40% of the Nation's total combined income, about the same as the 41% collected by the 1.43 mil. farms that sold less than $20,000.

In 1960 the 23,000 farms with sales of $100,000 or more received $30 mil. in direct Government payments, or an average of $1,304 per farm. In 1970, the 53,000 large farms received $530 mil., an average of $10,000 each. In 1980 the 287,000 large farms received $4.1 bil., an average of $14,521 per farm.

In 1960 the large farms received 4% of total direct Government payments. In 1970 they received 14%; in 1980, 44%; and in 1983, 44%. Mid-sized farms received 44% in 1980 and 1983; small farms, 12%.

Source: U.S. Department of Agriculture.

CHANGE IN PERCENTAGES, 1960–83

Category	1960			1983		
	Large farms	Medium farms	Small farms	Large farms	Medium farms	Small farms
Number of farms	1	8	91	12	28	60
Cash sales and income	17	34	49	67	26	7
Gross farm income	16	32	52	63	26	11
Farm production expenses	20	34	46	59	28	13
Net farm income	6	28	66	83	17	0
Off-farm income	NA	7	93	10	19	71
Combined income	NA	23	77	40	19	41
Direct Government payments	4	27	69	44	44	12

Source: U.S. Department of Agriculture.

EXPLANATION OF TITLES

TITLE I—AGRICULTURAL EXPORTS AND PUBLIC LAW 480

Subtitle A—Agricultural Exports

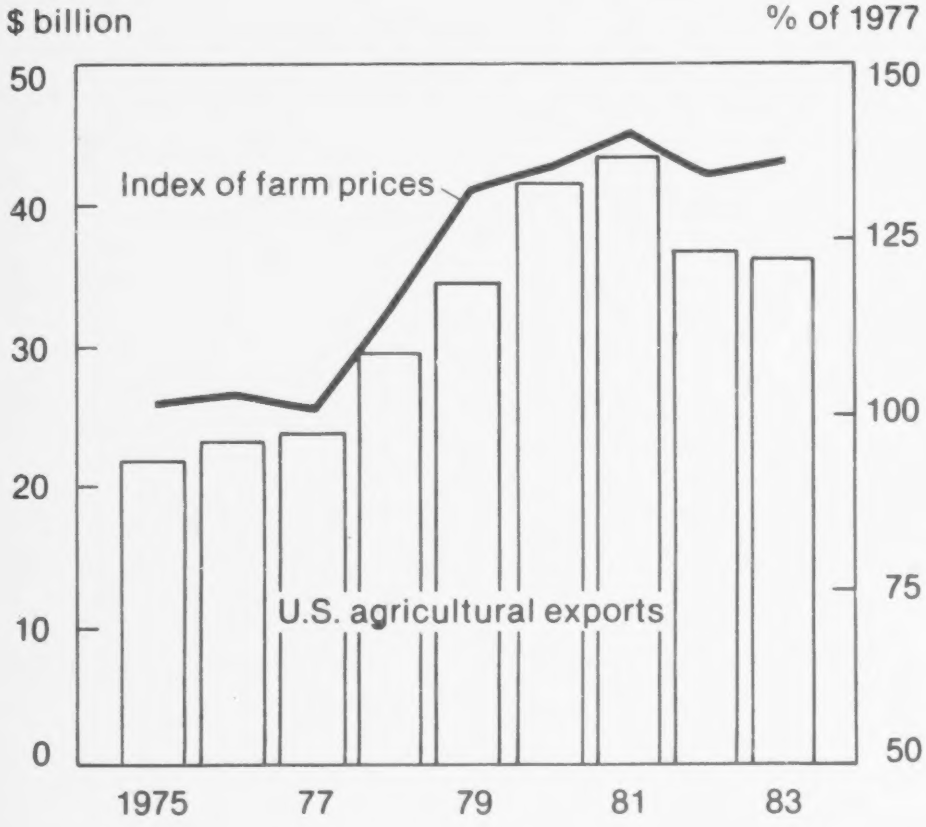
BACKGROUND

Introduction

U.S. agriculture has a comparative advantage for the production of most agricultural commodities over most other countries in the world. With an abundance of fertile farmland, favorable climate, advanced technology and state-of-the-art infrastructure, this advantage, when used, has resulted in growing levels of agricultural exports, and farm income (Exhibit 1). These exports, along with international food aid, not only provide economic growth and trade, but also serve humanitarian needs and promote a safer world in which to live. It is for these reasons that the United States must implement farm policies and programs in 1985 that will ensure an expansion of agricultural exports.

EXHIBIT 1

U.S. Agricultural Exports and Farm Prices



Commercial export promotion is given high priority in the 1985 farm bill. For producers to survive economically if the United States moves to more market based domestic agricultural policies, they must be assured that the U.S. Government is committed to assisting them in the international marketplace. Although most foreign export competitors employ no more export assistance than the United States, (Exhibit 2) some, namely the European Community, use massive export subsidies to blatently violate the principles of open and fair trade.

EXHIBIT 2

U.S. COMMODITY EXPORTS, FISCAL YEARS 1979–84

[Per 1,000 metric tons]

Commodity	Public Law 480		CCC commercial [1] GSM-5, 101, 102, 301, blended credit	Total exports	Percent of total exports financed
	Title I/III	Title II			
Corn:					
1979	565.2	81.7	4,838.3	53,897	11
1980	636.8	181.0	3,447.3	61,417	6.7
1981	553.1	226.5	3,357.3	59,367	6.9
1982	296.5	63.3	1,905.2	49,608	4.6
1983	294.9	82.1	6,464.0	47,105	15
1984	363.8	156.0	4,915.5	46,986	12
Rice (milled):					
1979	418.4	67.6	42.0	2,397	22
1980	403.2	135.3	168.4	2,955	24
1981	247.2	108.7	451.6	3,172	25
1982	299.5	65.9	14.4	2,911	13
1983	400.5	26.7	328.0	2,276	33
1984	292.3	114.7	571.0	2,293	43
Wheat:					
1979	2,956.9	227.5	2,684.4	31,340	19
1980	2,494.3	110.8	1,945.2	36,066	13
1981	2,256.7	452.3	3,230.4	42,247	14
1982	2,557.0	220.3	3,724.9	44,609	15
1983	2,643.7	875.9	8,597.0	36,696	33
1984	2,710.6	211.6	11,436.4	41,700	34
Wheat flour:					
1979	491.6	159.5	0	877	74
1980	462.5	127.8	24.8	882	70
1981	491.7	177.9	37.2	940	75
1982	436.3	163.7	9.2	721	84
1983	439.2	154.5	941.0	1,529	100
1984	572.9	159.3	156.0	1,075	83
Cotton:					
1979	12.6	0	176.7	1,396	14
1980	7.5	0	142.6	2,047	7
1981	4.2	0	119.5	1,264	1
1982	6.4	0	165.3	1,556	19
1983	6.2	0	184.9	1,209	16
1984	7.8	0	207.1	1,509	14

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[1] The export quantities as shown above are based on reports supplied by the export trade. Therefore they may not completely reflect exports made under the program. In addition, exports financed/programed/registered in a given fiscal year may actually be shipped in the following fiscal year.

The export provisions of the bill contain a battery of weapons designed to help American producers fight unfair and predatory trade practices, regain lost markets, and share in an equitable portion of world trade growth.

Factors affecting U.S. agricultural exports

Many complex and highly interrelated factors influence the direction and magnitude of trade in U.S. farm products. Unlike the period of the 1970's in which the rate of export growth was due in part to growth in the world economy, and a relatively low valued U.S. dollar compared to other foreign currencies, the 1980's have seen tight monetary policies, worldwide recession and a relatively high valued dollar.

The large LDC debt of about $700 billion (with interest payments amounting to about $80 billion per year), the reversal of the interest rates from negative to positive in real terms, and the switch from a relatively low to a high value dollar resulted in the United States experiencing a sharp drop in the value and volume of agriculture exports to world markets after 1981. Trade policies such as agricultural embargoes and certain domestic farm program features have also had an adverse impact on exports.

These developments were in sharp contrast to those expected by the Committee when writing the 1981 farm bill. Senate Report 97-126 to accompany S. 884, the farm bill reported by the Committee in 1981, stated, "Export values will continue to increase as they have for the previous 4 years in all major commodity categories, with the exception of cotton where some decline is expected." Further the report stated, "Export volume will also continue to increase for almost all commodities."

Except for the cotton prediction, the Committee expectations proved incorrect. The peak export tonnage for wheat and soybeans came in 1981/82, for rice a year earlier, and for cotton and corn evern earlier in 1979/80. (Exhibits 3 and 3a)

EXHIBIT 3.—U.S. AGRICULTURAL EXPORTS: VOLUME BY COMMODITY

[In millions of metric tons]

Commodity and/or commodity group	Fiscal year—											Forecast fiscal year 1985
	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	
Wheat	26.756	29.272	29.874	23.766	31.813	31.340	36.066	42.247	44.609	36.696	41.700	30.5
Wheat flour	.706	.597	.737	.967	1,020	.877	.882	.940	.721	1.529	1.075	.9
Coarse grains[1]	39.348	35.120	49.867	50.603	55.585	59.537	71.288	69.383	58.179	53.769	55.546	57.2
Corn[2]	31.006	28.822	43.126	42.454	49.112	53.897	61.417	59.367	49.608	47.105	46.986	48.5
Feeds, fodders and ingrids	N/A	N/A	3.244	4.780	4.550	4.304	6.242	5.820	5.007	6.991	6.845	6.5
Rice	1.696	2.217	1.953	2.317	2.276	2.397	2.955	3.172	2.911	2.276	2.293	2.0
Soybeans	15.092	11.487	15.050	15.156	19.686	20.194	23.833	19.972	25.477	24.522	19.265	16.6
Soybean cake and meal	5.033	3.900	4.667	4.117	5.515	5.996	7.175	6.149	6.266	6.449	4.862	4.3
Soybean oil	.651	.466	.443	.702	.933	1.059	1.220	.739	.941	.919	.828	.7
Sunflowerseed	.062	.156	.312	.403	.906	1.342	1.927	1.426	1.542	1.363	.995	1.0
Sunflowerseed oil	N/A	N/A	N/A	N/A	.026	.041	.086	.301	.103	.229	.188	.1
Other oilcake and meal	.283	.175	.203	.146	.324	.294	.425	.441	.289	.239	.198	.1
Beef, pork and variety meat	.200	.237	.315	.349	.343	.326	.345	.386	.398	.384	.394	.4
Poultry meat	.085	.085	.155	.194	.194	.208	.320	.395	.314	.251	.226	.2
Animal fats[3]	1.252	1.053	1.047	1.399	1.315	1.276	1.508	1.536	1.497	1.431	1.379	1.1
Tobacco	.297	.263	.267	.290	.273	.287	.283	.252	.245	.245	.227	.2
Cotton and linters[4]	1.235	.892	.782	1.046	1.378	1.396	2.047	1.264	1.556	1.209	1.509	1.3
Horticultural products	2.484	2.771	3.121	3.219	2.905	2.808	2.967	3.405	3.138	3.041	2.853	2.7
Other	N/A	N/A	N/A	N/A	2.828	3.779	4.038	4.508	3.666	3.226	3.191	3.2
Total exports	97.784	91.879	112.115	109.309	131.870	137.461	163.877	162.337	157.868	144.769	143.574	129.0

[1] Includes corn, oats, barley, sorghum and rye.

[2] Excludes products.

[3] Includes animal oils from 1974–78.

[4] Includes linters from 1974–75.

Source: Outlook for U.S. Agricultural Exports.

EXHIBIT 3a.—U.S. AGRICULTURAL EXPORTS: VALUE BY COMMODITY

[In billions of dollars]

Commodity and/or commodity group	Fiscal year—											Forecast fiscal year 1985
	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	
Grains and feeds	10.353	11.738	12.027	9.973	11.545	13,459	18.512	21.900	17.615	15.194	17.434	14.3
Wheat and flour	4.606	5.237	4.741	3.003	4.071	4.775	6.555	7.965	7.616	6.169	6.738	4.9
Rice	.839	.941	.607	.704	.872	.885	1.171	1.537	1.149	.874	.897	.7
Coarse grains [1]	4.480	4.904	6.010	5.391	5.751	6.658	9.185	10.512	7.051	6.582	8.216	7.2
Corn [2]	3.539	4.049	5.199	4.500	5.070	6.062	7.842	8.966	5.962	5.717	7.023	6.1
Oilseeds and products	5.552	4.753	4.699	6.403	7.453	8.692	10.017	9.400	9.730	8.873	8.774	6.3
Soybeans	3.492	2.989	3.038	4.307	4.749	5.444	6.164	5.986	6.479	5.866	5.734	3.9
Soybean cake and meal	1.036	.667	.806	.918	1.121	1.365	1.650	1.601	1.453	1.449	1.181	.8
Soybean oil	.396	.387	.208	.413	.541	.706	.782	.457	.498	.462	.633	.5
Livestock and products	1.756	1.387	1.847	2.191	2.352	3.160	3.107	3.148	3.164	2.995	3.460	3.3
Poultry and products	.140	.143	.235	.301	.332	.368	.546	.765	.579	.451	.413	.4
Dairy products	.070	.143	.131	.171	.159	.120	.147	.245	.372	.354	.397	.4
Horticultural products	1.141	1.221	1.455	1.649	1.880	2.066	2.699	3.084	2.851	2.689	2.606	2.6
Tobacco	.777	.897	.929	1.065	1.132	1.292	1.349	1.339	1.486	1.487	1.433	1.5
Cotton and linters	1.370	1.055	.919	1.538	1.707	1.910	3.033	2.248	2.163	1.703	2.405	2.0
Seeds	.112	.112	.133	.152	.166	.179	.240	.282	.296	.325	.320	.4
Sugar and tropical products	.288	.405	.385	.531	.572	.733	.817	1.372	.838	.705	.789	.8
Total exports	21.559	21.854	22.760	23.974	27.298	31.975	40.481	43.780	39.095	34.776	38.031	32.0

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[1] Includes products.
[2] Excludes products.

Source: Outlook for U.S. Agricultural Exports.

In the 1970's, with the farm programs then in place, the United States was able to capitalize on the strong and expanding world market due to the large stocks, competitive prices, and idle land that could be quickly brought into production to meet international market demands. But in the 1980's, this same set of policy instruments—loan rates, grain reserves, acreage reduction programs—kept U.S. export prices higher than market clearing levels, made the government the residual buyer, and caused large stock accumulation and the idling of vast amounts of cropland acres. At the same time, competitors and customers alike were increasing acreage and production in response to the incentives of a world market price that was being supported by U.S. farm programs. In essence, U.S. farm programs operate to ensure that the United States is the sole adjustor for world supply and demand.

Wheat is a particular example. Over the past decade, production in several competing countries has expanded by sizable amounts and larger exports have followed. These trends became increasingly true after 1981 when higher support rates made the U.S. less competitive (Exhibit 4).

EXHIBIT 4.—WHEAT AREA HARVESTED IN U.S. AND COMPETITOR COUNTRIES, 1970 TO 1983

Year	United States	Total competitor	EC	Canada	Australia	Argentina
	(million hectares)					
1970	17.6	26.1	10.9	5.1	6.4	3.7
1975	28.1	34.8	11.4	9.5	8.6	5.3
1980	28.8	40.4	12.6	11.1	11.3	5.0
1981	32.6	42.8	12.6	12.4	11.9	5.9
1982	31.5	44.4	13.0	12.6	11.5	7.3
1983	24.8	46.7	13.2	13.7	12.9	6.9
1984	27.2	45.1	13.6	13.2	12.3	6.0
	EXPORTS OF WHEAT FROM THE U.S. AND COMPETITOR COUNTRIES 1970–71 to 1983–84 (million metric tons)					
1970–71	19.8	27.5	5.7	11.8	9.1	0.9
1975–76	31.9	32.8	8.6	12.3	8.7	3.2
1980–81	41.2	44.4	14.7	16.3	9.6	3.8
1981–82	48.2	48.6	15.5	18.4	11.1	3.6
1982–83	41.1	54.1	15.5	21.4	7.3	9.9
1983–84	38.9	59.1	16.0	21.8	13.5	7.8
1984–85	41.5	56.4	18.5	16.7	15.0	6.2

Besides the impact of U.S. farm programs, other factors, such as strengthening the U.S. dollar, have also been important causes of falling U.S. farm trade volume and value.

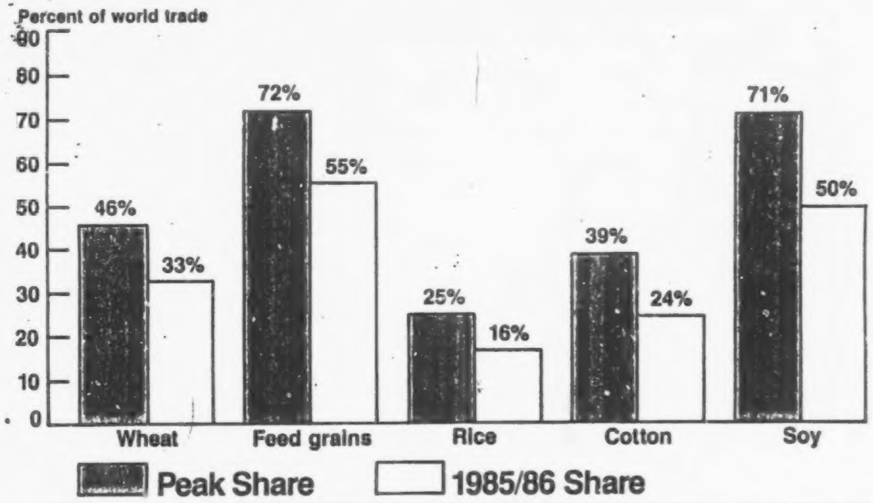
Strong dollar, inflexible loan rates and trade

The strong dollar and the high loan rate have alternately been blamed for the decline in U.S. agricultural exports. However, it is the interaction of a strong dollar and a high loan rate which has led to the loss in market share illustrated in Exhibit 5.

EXHIBIT 5

U.S. Losing Markets to the Competition

Early 1980's to Present



Exchange rates are adjusted so that the effects of changing inflation rates do not affect the relative value of a currency in foreign trade. When the U.S. dollar gained in value as a result of deflationary measures, the rise in the cost of our agricultural products appeared dramatic. However, as can be seen in the example of corn prices in Mexico (Exhibit 6) the real cost to the importer has remained fairly constant. The same effect can be seen in a weighted index of exchange rates with our major export markets in wheat (Exhibit 7). This is because inflation in those countries where we export has generally been greater than the devaluation in their currencies. Thus, the strong dollar has not really caused real price increases for our major export markets.

EXHIBIT 6

Dollar Effect Has Been Overstated

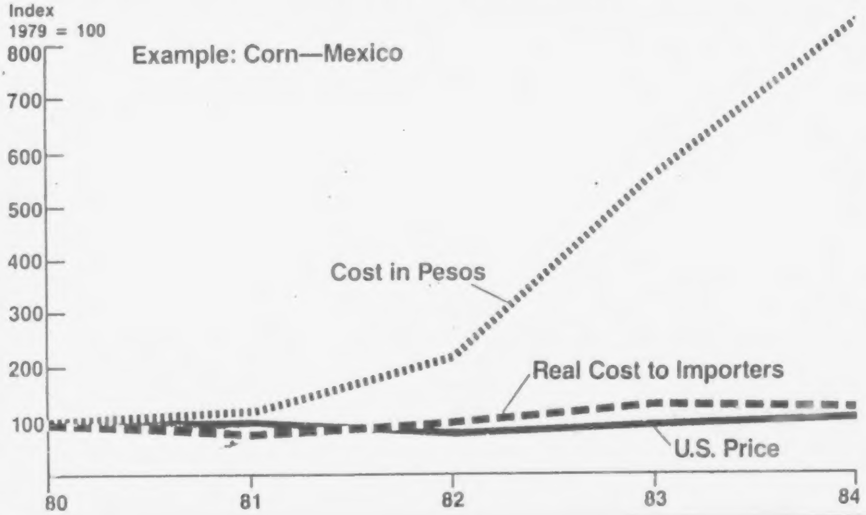
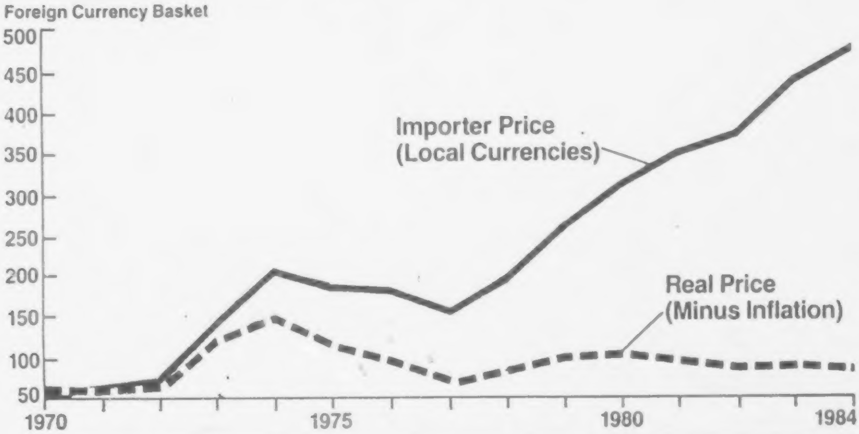


EXHIBIT 7

Real Wheat Price to Importers Unchanged Despite Strong Dollar



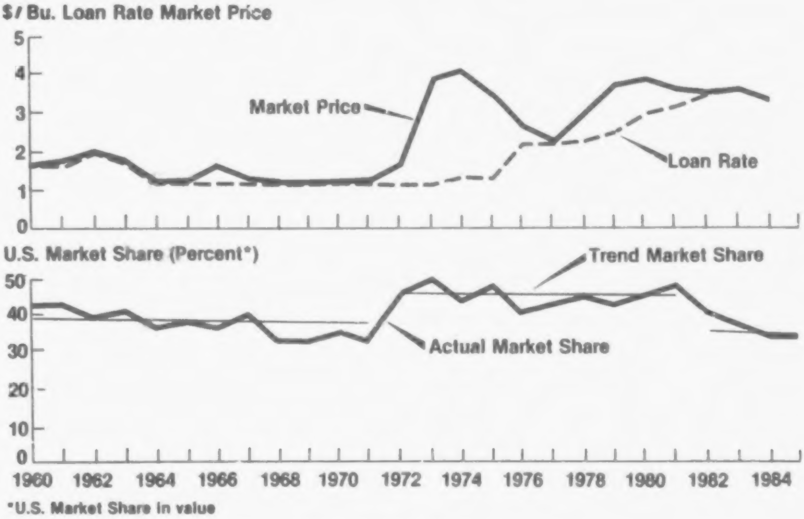
In terms of the exporting ability of competitors, however, there has been an effect from the strong dollar. The dollar has appreciated against our major competitors in wheat, corn and soybeans. This means that for any set dollar price (agricultural commodity prices are denominated in U.S. dollars in the international market), they will be able to offer more of a given commodity for the same amount of the importers' currencies. They also have more flexibility in setting prices while still providing their producers a fair return. For the EC, the strong dollar has meant reduced wheat export subsidy costs because the market price is closer to their internalized support price.

To remain in the same relative position, the market response to an appreciating dollar would be an equivalent drop in commodity prices.

Some drop in U.S. commodity prices has occurred, however U.S. loan rates have constrained the downward adjustment by setting price floors. Since the U.S. is the "price leader" in world markets, the loan rates are also viewed as the floor prices for world markets. In the past, with the loan rate well below the world price, price adjustments could occur in response to changes in inflation and exchange rates. With the price and the loan rate at the same level, there is less allowance for adjustment.

EXHIBIT 8

Relationship Between U.S. Market Share for Wheat and Market Prices - Loan Rate, 1960-1983.



*U.S. Market Share in value

Exhibit 8 illustrates the loss in market share the U.S. has experienced when the loan rate and the market price have coveraged. When market prices were well above loan rates, U.S. market share generally rose, whereas when the loan rate was a determinant of the market price, market share declined. Further exacerbating the problem is an increase in acreage and production by our competitors in response to the U.S. guaranteed price (see exhibit 2). When prices hit the loan rate, the U.S. government takes the excess supply off the market, preventing prices from falling to market clearing levels. Without the price signals from the marketplace, there is not incentive to reduce production and foreign competition can capture a larger share of the world market simply by selling for a few dollars less than the United States.

Thus, with a strong dollar and an inflexible loan rate keeping prices elevated, an importer has more purchasing power with our competitors than with the United States, and competitors have greater flexibility in terms of price movement and returns to producers. U.S. farm commodities will not be competitive unless the value of the dollar falls or prices are allowed to drop sufficiently to place the United States in a competitive position. Most analysts do not see exchange rates adjusting sufficiently in the near future to accomplish this, thus the loan rate becomes more critical. Exhibits 9, 10, and 11 show how prices have tended to converge around the U.S. loan rate, and the relationship of U.S. prices to competitor's prices.

EXHIBIT 9

Strong Dollar Helps the Competition

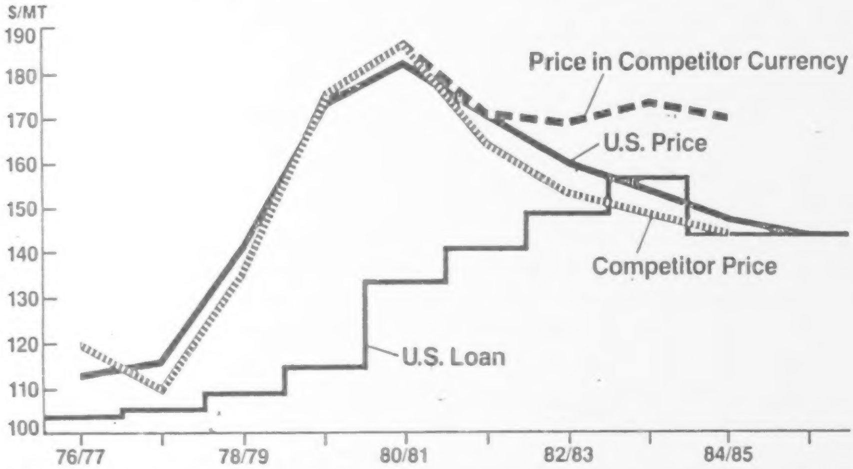


EXHIBIT 10

U.S. Wheat Uncompetitive in World Markets

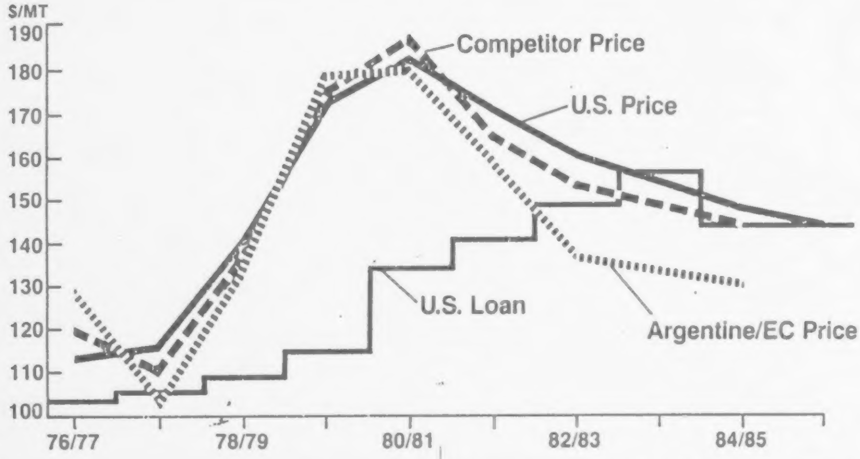


EXHIBIT 11

U.S. Corn Uncompetitive in World Markets

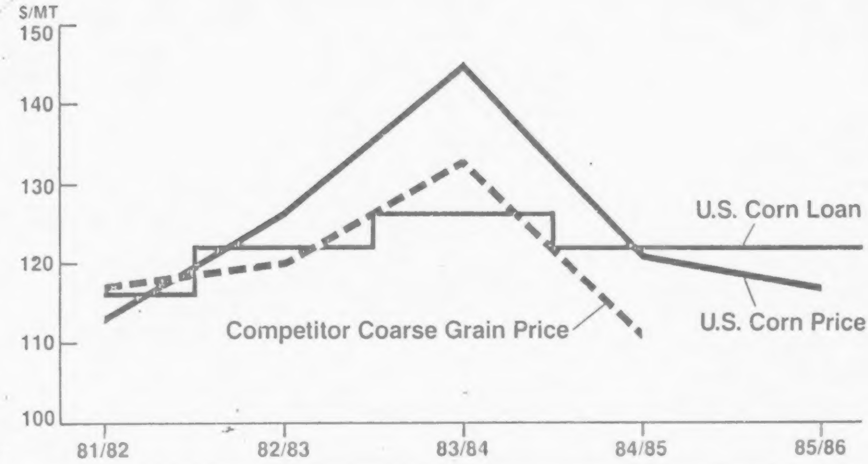
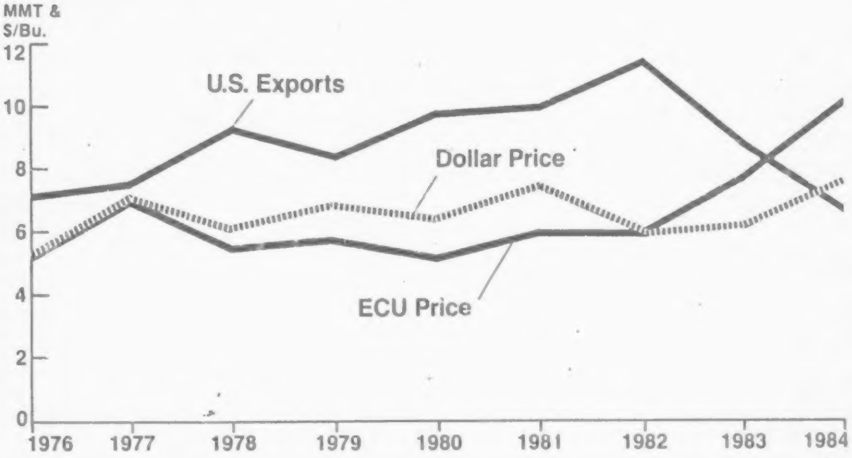


EXHIBIT 12

Strong Dollar Hurts Soybean Sales to EC



In the case of soybeans, the situation is somewhat different. As seen in Exhibit 12, U.S. exports have also been declining even without the convergence of the loan rate and the price. Although the price has remained fairly constant, the effective price to the EC has been rising because of the strong dollar. In the EC (our major soybean market) corn is maintained at a constant price. Thus with the effective price of U.S. soybeans increasing, substitution of corn is occurring. Surplus wheat in the EC is also being diverted to feedstocks, further reducing soybean demand.

The world has changed dramatically in the last 4 years. In the 1970's, booming world import demand combined with a declining dollar led to unprecedented growth in U.S. agriculture. The situation has completely reversed since the early 1980's. The appreciating dollar has compounded the equilibrium-distorting effects of rigid price supports.

Less developed countries (LDC) debt and food demand

Another major factor influencing U.S. farm exports since 1981 has been the macroeconomic factors affecting growth markets in developing countries, especially in Africa and Latin America, which are still struggling with debt, domestic economic crises, and relatively weak trade and financial trends.

Worldwide, economic growth rates increased substantially in 1984 from the sluggish pace of 1983. Growth in the U.S. economy outstripped the rate of other industrialized countries again in 1984, but by a somewhat smaller margin. While economic growth rates in Latin America, Africa, and the Middle East still lag other regions of the world, a turnaround from the negative growth rates in 1983 was achieved.

Although economic growth has improved, some weakness persists. Unemployment rates in many European countries continued to increase in 1984, despite the broadening recovery. In addition, foreign exchange shortages in many regions, particularly developing countries, continued.

During the 1970's, many developing countries experienced rapid economic growth. With rapidly expanding export and domestic markets, oil price increases spurring the search for new energy supplies, and the overall need to finance higher domestic investment and import levels, such developing countries provided very attractive lending opportunities to international cpaital markets. The recycling of petro dollars through developing countries by large commerical banks at close to zero and sometimes even negative real rates of interest helped provide capital to finance agricultural imports from the U.S. and other exporters.

After the turn of the decade, however, the situation in many developing countries deteriorated and, by 1982, recession virtually covered the Third World. Those developing countries that were successful in rescheduling external debts began to recover in 1984, while others sank further into crisis. Among the latter, there are few prospects for any quick return to earlier growth trends.

In the early 1980's, withdrawal of major commerical banks from further lending turned a difficult situation into a crisis for many middle-income developing countries. Without a continuing source of foreign capital, many of these heavily-indebted countries were unable to service their debt fully and on a timely basis. Most also had to curtail imports and increase exports to earn foreign exchange in order to meet debt payments.

Decreases in agricultural imports were major contributors to the decrease in the total imports of the high debt LDCs. For example, total U.S. agricultural exports to 17 major debt countries dropped 20 percent ($1.3 billion), between 1981 and 1983, while total U.S. exports to these countries went down 40 percent ($16 billion). Thus, the decline in agricultural imports has been less in percentage terms than the decline in other categories of example. Declines in grain and oilseed exports accounted for a large proportion of the decline in U.S. agricultural exports to the major debt countries.

PURPOSE AND NEED

Three to ten year intermediate credit

The intermediate credit provisions are designed to fill a critical gap in U.S. export credit offerings. Currently, eligible foreign purchasers may obtain concessional credit sales with financing of up to 20 or 40 years through titles I and III, Public Law 480, or U.S. exporters may obtain guarantees on credit sales of up to 3 years through the GSM 102 program. Continuing financial difficults in middle-income developing countries will strain their ability to use the short term GSM 102 export credit program. An intermediate credit guarantee program covering credit sales of more than 3 but not more than 10 years has been provided to help bridge the gap between concessional and fully commercial credit for these and other export market opportunity countries, and to provide a new export marketing tool with greater flexibility.

Authority for direct financing of intermediate credit sales was included in the Agricultural Trade Act of 1978. The Commodity Credit Corporation has issued regulations for two intermediate credit programs.

The GSM 301 program provided credit for, among other things, construction of bulk commodity handling facilities through the use of funds generated by sales of imported commodities from the United States and the GSM 201 program that provides financing of credit sales for breeding animal herd development. The general objective of both programs is to develop and expand foreign markets, on a long term basis, for the commercial sale and export of U.S. agricultural products.

To date, however, only one GSM 301 and one GSM 201 program agreement with Israel and Spain, respectively, has been carried out.

The Committee amendments to the intermediate credit authorities are intended to authorize a more flexible and less costly intermediate credit program.

The Committee expects that the Secretary of Agriculture will issue new regulations, within 90 days of enactment, establishing new intermediate credit program to provide export credits to finance or guarantee the financing of export sales of U.S. agricultural commodities and the products thereof. Such programs should provide for operations independent of or in conjunction with the present GSM 301 and 201 programs.

Short term export credit guarantee

The GSM 102 short term export credit guarantee program was established in 1982 to provide guarantees for up to 3 year financing of U.S. agricultural exports.

Over the fiscal years 1982 through 1986, the Secretary will have made available some $22 billion in export credit guarantees and an all time high of $5 billion in guarantees in fiscal year 1985.

The bill continues the current level of GSM 102 short-term export credit guarantees at $5,000,000,000 per year for the next 4 fiscal years. Although these levels might not actually be used by customers, the credit will be made available. Should U.S. agricultural commodities again become more competitive, export credit guarantees of this magnitude may not need to be offered.

Targeted export assistance

Through the Omnibus Budget Reconciliation Act of 1982, the Committee directed the Secretary of Agriculture to use not less than $175 million or more than $190 million in Commodity Credit Corporation funds for export activities for each of the fiscal years from 1983 through 1985. In order, in part, to comply with this directive, the Secretary of Agriculture established the "blended credit" export promotion program whereby the GSM 5 direct export credit program is combined with the GSM 102 export credit guarantee program. The GSM 5 direct credits are offered interest free while the interest rates on the credit sales guaranteed under the GSM 102 program are negotiated between the importers and commercial lenders.

A sense of Congress provision in the Agricultural Programs Adjustment Act of 1984 provided that the President direct the Secretary of Agriculture to increase the level contained in the President's budget for fiscal year 1985 by not less than an additional $100–$150 million for the GSM 5 portion of the blended credit program.

The Committee bill continues direct export assistance expenditure requirements of $325 million or an equal value of CCC–owned commodities for fiscal years 1986 through 1988 and such funds of the CCC as the Secretary deems necessary or an equal value of commodities owned by the CCC for fiscal years 1989 through 1991.

It is the Committee's intent that these funds be used to help U.S. farmers fight unfair trade practices and be targeted for use where U.S. exports have been adversely affected and where there has been a favorable decision on agricultural commodities under section 301 of the Trade Act of 1974.

Export credit revolving fund

The bill extends authorization for the agricultural export credit revolving fund authorized by the 1981 farm bill.

The Commodity Credit Corporation operates price support and export credit programs through its $25 billion borrowing authority.

All loan repayments are credited to the CCC whether they result from export credit or commodity loan repayments. Amounts to cover losses of the Corporation resulting from export loan defaults, if any, and price support operations are appropriated by the Congress to reimburse the Corporation.

However, notwithstanding the authorities of the CCC, the Committee has included an extension of the agricultural export credit revolving fund, subject to appropriations for capitalization of the fund, should budgetary constraints ease.

Sale of CCC-owned dairy products

The Committee believes that international trade in dairy products has been particularly distorted by unfair trading practices.

The bill includes a provision requiring the sale of surplus CCC-owned dairy products. For each of the fiscal years 1986, 1987, and 1988, the Secretary is required to sell 150 thousand metric tons of CCC-owned dairy products annually on the international market.

This provision was also approved by the Committee as part of S. 822, the Agricultural Export Equity and Market Expansion Act of 1983.

As of March 1, 1985, the CCC inventory contained 955,949 metric tons of dairy products. Included in the inventory were 118,888 metric tons of butter, 317,473 metric tons of cheese, and 522,589 metric tons of nonfat dry milk. Approximately 204,753 metric tons of this inventory was committed to domestic dairy sales and donation programs.

In fiscal year 1984, direct sales to importers from CCC stocks totaled almost 66,000 tons valued at nearly $74 million.

The Committee believes that mandatory dairy product sales from CCC stocks will signal U.S. resolve to the European Community and other countries that we are able to employ the same type of trade practices that are used by others regularly. The Committee hopes that such action will encourage negotiation of more fair and open international dairy trade.

Use of CCC stocks for export assistance

In order to utilize grain stocks and other commodities which have been acquired by the CCC under its price support programs, and to promote agricultural exports, the Secretary is required to carry out an export payment-in-kind (PIK) program or bonus commodity program. The basic objective of such programs is to assist the Secretary of Agriculture in promoting and increasing exports of U.S. agricultural commodities in order to reduce price depressing government stocks, reduce government outlays made under domestic price support programs, improve farm income, and to further induce those who now use predatory trading practices to come to the bargaining table.

Under the bill, the Secretary of Agriculture would be specifically authorized to provide commodities or products acquired by the Commodity Credit Corporation to U.S. exporters and users and foreign purchasers to encourage the development, maintenance, and expansion of markets for U.S. agricultural commodities and products. These commodities or products would be provided at no cost.

Under this provision, the Commodity Credit Corporation could provide commodities held by the CCC to U.S. exporters, users, processors and foreign purchasers as an incentive to foreign customers to purchase additional U.S. commodities above the level of normal marketings. For example, if a foreign purchaser that normally purchases a given quantity of a specific commodity agrees to purchase additional quantities, then an amount equal to some portion of the additional purchases could be provided at no cost to the foreign importer. In addition, it is contemplated that the Secretary could provide commodities or products even though purchases are not above the level of normal marketings in cases where providing such commodities would contribute to maintaining or expanding U.S. market shares.

Providing CCC agricultural commodities will serve to reduce the overall cost of U.S. commodities to foreign purchasers and thereby increase the competitiveness of U.S. products. An example of such use would be to provide commodities to offset the use of export subsidies by competing exporting nations.

In taking this action, the Committee does not want to enlarge the problem that the cotton industry now faces, and perhaps other commodities will face, as a result of foreign-made value-added products of the commodity being exported back into the United States. Accordingly, the bill provides that the program is to be carried out in a manner that gives equal treatment to domestic users of the U.S. agricultural commodity. In the case of cotton this would be the processor, manufacturer, or other user who utilizes the bale of raw cotton. With domestic users now adversely affected by imports of cotton products, any action taken by the Secretary under this provision with respect to exports is to be accompanied by comparable action for domestic users.

One obvious way to ensure equal treatment for domestic users is to provide to domestic users surplus commodities which in turn can be converted into value-added products for export. Such a method is of value to the producers of the commodity as well as to the user who converts it into the value-added manufactured product.

Other safeguards are also included in the bill. Commodity Credit Corporation stocks of agricultural commodities and products that are provided under this authority are to be used in such a manner as to encourage increased use either in the United States or in a foreign country and to avoid displacing usual marketings of U.S. agricultural commodities or products.

In addition, the Secretary is required to take reasonable care to prevent the resale or transshipment to other nations of the agricultural commodities and products provided under this program and to prevent the use for other than domestic use in the destination country of such commodities and products.

The Secretary is directed to provide all interested foreign purchasers an opportunity to participate. However, priority is to be given to those foreign purchasers who have been traditional buyers of U.S. agricultural commodities and products, and who continue to purchase such commodities and products on an annual basis in quantities larger than the level of purchases over a previous representative period.

In order to encourage increased consumption and storage of U.S. agricultural commodities and products in foreign nations, the bill authorizes the Secretary to provide supplemental amounts of CCC commodities and products to foreign purchasers who use the proceeds from the sale of such commodities or products for the construction or rehabilitation of facilities in the importing country to improve the importing country's capability to handle, market, store, or distribute U.S. agricultural commodities or products. This provision would assist in improving long-term markets for U.S. commodities and products. The development of improved ports, roads, and other facilities should encourage more efficient and increased utilization of U.S. products in importing countries.

In carrying out such a program the Secretary may utilize negotiable certificates, referred to as green dollar certificates, in order to execute transactions with parties receiving CCC commodities.

Trade practices and the General Agreement on Tariffs and Trade (GATT)

American agricultural producers face numerous export roadblocks and unfair trade practices in the world market. These issues may best be addressed through new multilateral trade negotiations. Therefore, a sense of Congress provision calling for a strengthened General Agreement on Tariffs and Trade, which brings agricultural trade issues within improved settlement procedures, is included.

To keep U.S. exports growing, access to foreign markets for U.S. agricultural products is essential. Access is restricted in many cases, and U.S. exporters often face competition aided by subsidies from competitor governments.

In developed countries examples of import restrictions are the importation of grains handled by government agencies or marketing boards, the use of import quotas and/or licensing as for beef and oranges in Japan, and the use of variable levies in Europe, to protect against imports that are priced below internal price guarantees.

Developing countries also tend to have restrictive import regimes enforced by import licensing or, in the case of basic food crops, often directly controlled by state agencies. A few developing countries, that can afford to, provide incentives to agricultural exports as a means of earning foreign exchange. Other developing countries use direct export payments or provide credit for their products. Some LDC's have sought to gain advantages through overvalued exchange rates, state trading arrangements, counter-trade deals, and export tax incentives.

The United States is the world's largest agricultural exporter and a Nation that depends on export markets for sales of two-thirds of its wheat crop, half its soybean crop, and 40 percent of its rice and cotton crops. It is essential that we continue to oppose strongly the restrictive and unfair trading practices of other countries.

The Committee is concerned about the subsidy practices of the European Commodity which result in losses of markets for U.S. exporters. These practices must be changed if the economic base of U.S. agriculture is to be strengthened. This requires a long-term commitment by the United States to seek changes in the GATT Subsidies Code that will bring about an elimination of export subsidies on primary products.

The Committee believes that such a commitment must be steady and uncompromising. Essentially, the EC and other nations must be persuaded to move toward a market-determined international trading system and away from a government interventionist system.

Barter of agricultural commodities

The Department of Agriculture conducted a barter program from 1950 until 1973. During this time, the market value of agricultural commodities exported from the United States through barter contracts authorized under section 310 of Public Law 480 and the Commodity Credit Corporation Charter Act was approximately $6.65 billion. Of this amount, $4.81 billion was for strategic materials.

The barter program was suspended in 1973 when CCC stocks were largely depleted and the supply of private stocks no longer justified the need for a barter program. CCC stocks of several commodities are now at record high levels. Barter remains as one option to help reduce these surplus stocks.

Three barter arrangements have been concluded with the Government of Jamaica since February 1982 and involve the exchange of dairy products, wheat and rice owned by the CCC for bauxite for the National Defense Stockpile. Under a 1981 Presidential directive, 400,000 tons of metal grade bauxite were acquired for the National Defense Stockpile in exchange for 9,143 metric tons of dairy products. The cost of the transportation was $13 million. The General Services Administration paid the cost of transportation and site preparation and reimbursed CCC for the market value of the bauxite in fiscal year 1984.

Under a 1983 Presidential directive, two additional agreements involving 1 million tons of bauxite was acquired from Jamaica for the National Defense Stockpile in exchange for 13,725 metric tons of nonfat dry milk, 895 metric tons of butteroil, 46,755 metric tons of wheat and 3,763 metric tons of rice from the inventory of CCC. The value of this transaction was $34 million. Delivery of the bauxite has been made to CCC. Delivery of the agricultural commodities to Jamaica will be completed in early 1986.

The Committee believes that an expanded CCC barter program could be a useful method of moving surplus U.S. agricultural commodities into world markets and receiving strategic and critical materials in payment for them during a period when the commodities would not have been sold for cash. The provisions of the bill would supplement and strengthen already existing authority of the Secretary of Agriculture to use CCC stocks for barter.

The Committee adopted a provision amending the Commodity Credit Corporation Charter Act relating to the barter of agricultural commodities acquired by the CCC. Subject to approval by the Secretary of Agriculture and the Secretary of State, the Commodity Credit Corporation would be required, to the maximum extent practicable, to exchange surplus CCC stocks for strategic and critical materials. Furthermore, particular emphasis is given to the exchange of CCC commodities for petroleum products to facilitate filling the Strategic Petroleum Reserve, although such emphasis is not meant to discourage barter for other strategic and critical materials.

The strategic petroleum reserve (SPR) was authorized by Congress in 1975 in order to protect against a repetition of the economic dislocation cause by the petroleum shortages resulting from the 1973–74 Arab oil embargo. A level of 750 million barrels is presently authorized under the established plan for filling the SPR.

Cargo preference requirements

The Merchant Marine Act, 1936, as amended, provides that 50 percent of the gross tonnage of certain government-generated shipments of commodities must be transported on private U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. The stated purpose for creating this shipping preference for U.S.-flag commercial vessels is to support and maintain the U.S. merchant marine fleet for use in commerce and for national defense.

The long-standing interpretation of the cargo preference laws is that these laws apply only to transactions involving a substantial element of foreign aid or assistance. The "test" established by the United States Attorney General in 1963 to determine whether the cargo preference laws are applicable to credit transactions involving sales of surplus agricultural commodities owned by the Commodity Credit Corporation is whether the transaction is a normal commercial transaction or whether it involves some substantial element of foreign aid or assistance. (See 42 Op. A.G. No. 14, p. 12, Aug. 29, 1963.) The Attorney General stated that cargo preference applied only in the latter instance.

This "test" was reiterated by the Department of Justice in a December 6, 1965, letter from Assistant Attorney General Norbert A. Schlei to Mr. John C. Bagwell, General Counsel of the Department of Agriculture, and was endorsed by the Senate Committee on Commerce during the 88th Congress. (See S. Rept. No. 871, 88th Cong., 2nd Sess., pp. 5–6.)

Citing at length the legislative history of the cargo preference laws, the Department of Justice pointed out in its 1965 letter to Mr. Bagwell that, at every stage in the development of the cargo preference laws, there was repeated emphasis on the point that the bill was directed against foreign aid "giveaways" and was not intended to have any effect whatever on commercial cargoes. Thus, while the cargo preference requirements have consistently been held to apply to concessional sales and humanitarian food donations, such as those made under Public Law 480, cargo preference has not been applied to transactions under the Commodity Credit Corporation's export credit sales programs.

The key distinction made by the Department of Justice on this point is that concessional sales have the purpose of providing substantial assistance to a foreign economy, while the purpose of commercial sales is not foreign aid but rather to dispose of goods on the best possible terms and conditions.

Commodity export incentive and blended credit and short-term direct and guaranteed export credit programs fall into the latter category. The intent of these programs is not to provide foreign aid but to dispose of surplus goods on the best terms possible.

Cost

The Committee is concerned about the cost of cargo preference. This year, the Department of Agriculture will spend over $100 million in subsidies to U.S.-flag ships for shipments made under Public Law 480. In 1984, on average, U.S.-flag ships charged $69.50 more per ton than did foreign flag vessels to carry exported commodities. This means a ship carrying 30,000 metric tons of commodities received a subsidy averaging $2.08 million from the U.S. Treasury for a one-time, one-way crossing.

Although cargo preference is justified by its proponents as being necessary for commercial and military reasons, the cost of cargo preference as it applies to shipments of agricultural commodities is paid through the Department of Agriculture. The Commodity Credit Corporation (CCC), as a practical matter, is required to pay this cost.

Several members of the Committee have indicated their intention to address the issue of funding cargo preference costs through appropriations for agencies other than the U.S. Department of Agriculture. The bill, however, does not address that issue.

It is the Committee's belief that the costs of shipping commodities under U.S. Department of Agriculture and CCC export promotion programs on U.S.-flag ships outweighs the benefits of those export programs.

Effectiveness of export promotion programs

By slightly lowering the effective interest rate, the original blended credit program provided an effective price discount of only 3.4 percent, which equates to about $4.00 per metric ton of corn and $5.50 per metric ton of wheat, on sales financed and guaranteed with blended credit. If, for example, the CCC is required to pay a lower ocean freight differential of $60 per metric ton for a U.S.-flag vessel, then its total cost for a blended credit corn sale would be $64 per metric ton. Only $4.00 of this would benefit the foreign customers while $60 would go from the Department of Agriculture or the CCC to subsidize U.S. merchant marine interests. Under these circumstances, the program would simply not be a cost-effective means of increasing agricultural exports.

A similar situation exists with the commodity export incentive program. Application of cargo preference would add greatly to its cost and might result in no sales being made. Such a situation would be a blow not only to agriculture, but to the transportation and processing industries as well. The Committee believes that any commodity export incentive program, whether it is called a market bonus program, payment-in-kind program or by some other name, would include not only situations in which CCC-acquired commodities are shipped overseas but situations in which CCC-acquired commodities are furnished to U.S. users who use such commodities to grow or produce products that are then shipped overseas.

Should cargo preference ever be applied to short-term direct or guaranteed export credit programs, they too would be rendered inoperable because of the added costs.

The Committee believes that the recent judicial expansion of the applicability of cargo preference places an undue burden on agricultural producers to support the U.S. merchant marine and is contrary to the intent of Congress regarding the reach of the cargo preference laws.

The Committee's action clarifies the application of the cargo preference laws to the existing programs carried out by the Commodity Credit Corporation and the Secretary of Agriculture. It also clarifies the status of the application of cargo preference to future export programs by exempting the programs that are necessary, as determined by the Secretary, to cause U.S. commodities to become or remain competitive under conditions prevailing in international trade. This clarification will promote agricultural trade and exports.

SUBTITLE B—PUBLIC LAW 480

BACKGROUND

The Agricultural Trade Development and Assistance Act of 1954, or Public Law 480 as it is popularly known, has been a mainstay in the effort both to help our farmers develop foreign markets for U.S. agricultural commodities and to provide humanitarian food assistance to hungry people in Europe, Asia, Africa, and other continents.

Public Law 480 has also been used as a tool to encourage economic development in the developing countries, with emphasis on those countries that have made a commitment to expand their domestic agricultural production. The Committee bill extends these important activities through September 30, 1989, and makes several significant revisions.

It is important to remember that our farmers have a stong interest in Public Law 480, since it promotes long-term market development. Experience has shown that as countries develop, they become bigger customers for American farm products.

Public Law 480—Title I—Private Enterprise Development Program

Title I of Public Law 480 has played a vital role in the stimulation of U.S. agricultural trade. These provisions provide for concessional sales of agricultural commodities to friendly countries. Agreements made under this title provide for credit repayable in dollars over a maximum 20-year repayment period or credit repayable in convertible local currency over a maximum 40-year repayment period.

These agreements also provide for a grace period during which the purchaser of the commodities must pay interest, but need not make principal payments. The grace period for dollar credit agreements can be as long as 2 years, and the grace period for convertible local currency agreements may be as long as 10 years. Specific downpayments in dollars may be required under both types of agreements. Minimum interest rates under both types of financing are set by law at 2 percent during the grace period and at 3 percent thereafter. The other terms of the sales agreements are determined on a case-by-case basis.

Under these credit terms, it is often a very long time before the United States receives repayment for commodities that are consumed today. Due to the long repayment period, and low interest rates, only as estimated 15 percent of the value of these commodities is returned to our taxpayers. In light of this, the Committee sought out better ways to make use of the debts owned for the commodities sold under title I.

In trying to develop a better way, the Committee considered a recommendation of the Development, Task Force on International Private Enterprise Development, better known as the Andreas Commission. The Commission's recommendation calls for authorizing the repayment of title I obligations in local currencies and seeks to use these currencies to promote agricultural development in recipient countries and to develop overseas markets for our farmers. This concept has been incorporated into the Committee bill.

Specifically, the proposal in the bill calls for a new private enterprise development program to be operated under title I of Public Law 480. Under this program agreements for sales for local currencies convertible to dollars would be made in much the same fashion as they are now. However, this new program would relieve the recipient government from bureaucratic, public sector oriented "self-help" requirements currently entailed in title I agreements. Instead, the purchasing country will be asked to pay for our commodities in local currencies upon delivery.

The Secretary of Agriculture would then be authorized to loan these currencies to financial intermediaries in the countries that had purchased the commodities. The currencies would be used to fund loans for private enterprise investment, giving strong preference to agriculture and agriculturally related investment. The use of local currencies in this manner will help provide capital to those involved in agriculture, especially the smaller farmers who are so important to development.

None of these loan funds may be used to finance State-owned entities or ventures, or to produce commodities or products that would compete with U.S. commodities or products. Private enterprise entities receiving loans under this provision must be owned solely by citizens of the recipient country, with the exception that the entity may have as much as 25 percent ownership by U.S. citizens.

The Committee recognizes that for the program to be successful, financial intermediaries will have to make loans to viable private ventures. To promote discipline in the lending process, the Secretary is given the authority to negotiate the interest rates for the loans he disburses to financial intermediaries.

In determining these rates, it is hoped that the Secretary will balance the needs of getting credit out to the private sectors of developing countries with the need to minimize costs to the U.S. Government. However, the Secretary is given authority to give preferential rates of interest to cooperatives and private nonprofit voluntary organizations to help defray their start up costs as financial intermediaries.

The Secretary would also be required, to the maximum extent practicable, to use at least 5 percent of the foreign currencies received from the sale of the commodities for agricultural technical assistance, including the funding of market development activities, such as cooperator programs.

The Committe notes the valuable contribution the Department's Agricultural Cooperation Program has made in stimulating private enterprise in developing countries. Local currencies generated under Public Law 480 were originally available for this joint U.S. Government-private-sector-funded market development effort. The government portion of funding for this market development effort is currently through dollar appropriations that have constituted a decreasing proportion of total program costs over the past 15 years.

Substantially increasing the use of P.L. 480 local currencies to support agricultural cooperator program activities, such as those designed to improve livestock feeding and feed and food processing capabilities, is precisely the type of private sector activity for which a larger proportion of U.S. food assistance resources should be used. The Committee bill seeks to reflect this goal.

Once financial intermediaries begin to make repayments of their loans to the Secretary, the Secretary may convert such currencies into dollars, reloan the currencies to financial intermediaries to finance additional private investment, use the currencies for agricultural market development, or use the currencies to pay U.S. obligations with the repaying countries.

Ten years after the last delivery of commodities to the recipient country, the Secretary would begin to convert the currencies used to pay for the commodities to dollars in accordance with a conversion schedule and in a fashion similar to collection of obligations under current sales for local convertible currencies.

The Committee bill requires that this Private Enterprise Development program utilize at least 25 percent of the aggregate value of Title I sales, or 500,000 metric tons (whichever is greater), but not more than 50 percent of such sales. However, sales agreements with individual recipient countries participating in this new program could not provide for the generation of more currency than can be productively used and absorbed in that country's private sector.

In addition, for the first 3 fiscal years of the bill, the President may reduce the minimum level of sales for foreign currencies below the prescribed minimums if (1) there is an insufficient number of approved financial intermediaries that have entered into agreements to carry out this program; (2) there are insufficient requests made by financial intermediaries for loan funds; or (3) the Secretary requires additional time to implement the program.

However, in any case, the President may not reduce the minimum level below 5 percent of the aggregate value of all Title I sales for fiscal year 1986, 10 percent for fiscal year 1987, and 15 percent for fiscal year 1988.

This new program is to be implemented by the Secretary of Agriculture. However, the Committee intends that the Secretary be able to defer some of his responsibilities under this program to other agencies in those geographic locations where he has insufficient resources.

This proposal parallels closely the recommendations of both the Andreas Commission and the National Commission on Agricultural Trade and Export Policy. It will effectively put our resources to work not only developing markets for our farmers but promoting the kind of private enterprise necessary for developing countries to grow into vibrant economies. It is a more prudent way to utilize our agricultural abundance, and as such constitutes a significant reform of U.S. foreign assistance programs.

Public Law 480—Title II

Under title II of the Public Law 480 program, the United States donates food to alleviate hunger and malnutrition among peoples in the poorest countries. Administered jointly by the Department of Agriculture and the Agency for Interntional Development, title II activities are carried out by three types of operating agencies: (1) nonprofit voluntary agencies, (2) recipient governments, and (3) intergovernmental organizations.

Nonprofit voluntary agencies serving as cooperating sponsors include Catholic Relief Services (CRS), Cooperative for American Relief Everywhere (CARE), Church World Service (CWS), Lutheran World Relief (LWR), American Joint Distribution Committee (AJDC), Seventh Day Adventist World Service (SAWS), and the Cooperative League for the United States of America (CLUSA). Intergovernmental organizations are the World Food Program and United Nations International Childrens Emergency Fund (UNICEF).

In recent months, the title II programs has received a great deal of attention as one of our primary mechanisms for relieving the effects of famine. The Committee Bill calls for a number of changes in this program.

In light of the current needs of Africa, the amendment would increase minimum tonnages to be shipped under title II for fiscal years 1986 and 1987 from the current 1.7 million tons to 1.9 million tons. The minimum amounts of commodities to be utilized for nonemergency programs operated through nonprofit voluntary agencies, cooperatives and the World Food Program for these years would be increased from 1.2 million metric tons to 1.425 million metric tons. For fiscal year 1988 and subsequent fiscal years, the minimums would be re-established at 1.7 million metric tons, and the "subminimum" at 1.275 million metric tons.

The inclusion of processed and protein fortified grain-based products and dairy products is of special importance to title II programs. The use of these products in maternal and child health feeding programs, school lunch programs, and a variety of other nutritional and supplemental feeding activities considerably enhances the scope and application of these programs and helps to directly combat under-nutrition and malnutrition.

In many feeding programs throughout the world, the United States is the only supplier of processed and protein fortified products. The importance of making such products available in these programs is critical in order to provide program managers with the opportunity to utilize the most appropriate food products for each program application.

The use of processed and protein fortified products in title II also benefits the economy of the United States, as employment is increased, additional tax revenues are collected, and wider use of U.S. transport facilities occurs. A recent Department of Agriculture report indicated that if a 10 percent increase in current raw exports of wheat, corn, and soybeans were shipped as processed products, the GNP would increase by nearly $16 billion, personal income would rise by $3 billion, and more than 300,000 new jobs would be created.

In light of this, the bill requires that, in distributing commodities under title II, the President must consider the nutritional needs of the recipients, the purposes of the title, the cost effectiveness of the use of the various commodities, and the benefits to be derived by the United States from distributing commodities in the form of processed and protein fortified products.

In addition, the bill requires that at least 75 percent of the title II nonemergency minimum quantity of commodities must be in the form of processed, fortified, or bagged commodities. It is the Committee's intent that the same target be strived for in emergency programs.

Private voluntary organizations and cooperatives undertake much of the burden in distributing commodities under title II. In order to simplify their tasks and ease some of the administrative burdens they face, the bill encourages the President to enter into multi-year agreements with such organizations for non emergency distribution, and also empowers the President to authorize private voluntary organizations to establish local food reserves for subsequent use to combat famine or to limit disincentives to local agricultural production which might arise from the immediate distribution of the commodities.

The amendment also reflects a desire for U.S. food donation programs to have a greater opportunity to sell the food supplied for local currencies to support feeding programs, implement projects, and increase the participation of indigenous private enterprise in development efforts.

Currently, under title II, authority to generate local currency through the sale of a portion of donated commodities is limited. This is the case despite the fact that monitization can be used to effectively promote private enterprise through such activities as the establishment of local credit unions.

In its report, the President's Task Force on International Private Enterprise, concluded that

> Restrictions on the ability to generate development funds under this program, however, in many cases preclude the implementation of extremely effective programs involving the participation of both the United States and developing country private sector entities and the development of self-sustaining private enterprises in the local economy. Such funds are particularly critical to those least developed countries that have undertaken significant reforms in the agriculture sector, but lack the funds to carry out specific programs and projects to implement the new policies.

In order to promote the generation and use of local currencies for these and other purposes, the amendment clarifies expands monitization authorities and requires that a minimum of 5 percent of the commodities distributed under non emergency title II programs by private voluntary organizations and cooperatives be available for monitization.

However, in carrying out monitization, the President must guard against displacement of usual U.S. commodity sales, not permit the local currencies generated to be used for paying personnel and administrative costs of cooperating sponsors, distributing agencies, and recipient agencies (other than local cooperatives), and not permit the currencies generated to replace resources that would otherwiese be available to private voluntary organizations and cooperatives. In addition, organizations utilizing this monitization authority would have to disclose in advance the intended uses for the local currencies generated.

Title II changes

The International Development and Food Assistance Act of 1977 added new title III provisions to Public Law 480 establishing a food-for-development program which offers recipient countries two special provisions.

The first stipulates that the funds generated through the local sale of Public Law 480 title I commodities can be used to support programs of agricultural development, rural development, nutrition, health services, or population planning. The title I repayment obligation to the Commodity Credit Corporation is forgiven if it is determined that the local currencies or the commodities themselves have been used in support of those programs.

The second special provision offers multiyear commitments of up to 5 years, provided commodities are available for programing through Public Law 480 and the recipient country has made progress under the agreed upon development plan.

While the goals behind the title III program are indeed commendable, the program has not been very successful in practice. A GAO report released 4 years ago was most critical of the program and it's operation. In its report; the GAO stated that the "program had had limited acceptance as a means of better linking U.S. food aid to recipient country development efforts."

The study also reported:

> Only six agreements have been signed in 3 years. Some developing countries more capable of undertaking title III have not found it attractive in comparison to highly concessional and less demanding title I loans. The poorer countries, with the most urgent needs to overcome inadequate agricultural production, have been the least capable of meeting title III requirements. Use of U.S. food aid for development has been made difficult by a number of administrative problems.
>
> Interagency administration and disagreements within AID have complicated the program, delayed individual program approvals, and caused confusion among AID missions and candidate countries as to what constitutes an acceptable program.

One of the reasons for the shortcomings of the title III program lies in its government to government orientation, and emphasis on public sector projects. For the past 20 years, the United States and other Western governments believed the answer to Africa's problems was in public sector development projects. However, recent studies cast doubt on the wisdom of relying solely on government projects to bring about economic development in the Third World.

According to the World Bank, in its highly acclaimed report on Sub-Saharan Africa:

> The Heart of Africa's economic crisis is the low rate of return on its capital investment. Much of this failure comes from investment programs that have been extensively financed from external sources.

The study goes on to suggest that to some extent, the United States might be responsible for these shortcomings. The study states that:

> Donors must take some responsibility: The pressures they put on governments, the inappropriate design and selection of their projects, and the lack of coordination . . . investment . . . In some countries, the public investment program has become little more than the aggregation of projects that donors wish to finance.

And the study concludes that:

> Too many projects have been selected either on the basis of political prestige or on the basis of inadequate regard for their likely economic and financial rate of return.

In its report, the GAO concluded that the chances of the title III program becoming a more effective program for helping to alleviate the chronic underlying problems of poverty and hunger in the developing world "were not good," and suggested that the program's record "is not likely to improve until basic management and policy questions are solved and its incentives are coordinated with those of other food aid programs."

Since the time this GAO report was released, the basic problems have not been solved since the GAO report was released. The program continues to be an unattractive option to recipients and an inappropriate national response to the chronic hunger and poverty problems, which can be relieved only through the development of free enterprise economies.

Current law requires that of the annual aggregated value of title I agreements, not less than 15 percent is to be under title III in fiscal year 1980 and each fiscal year thereafter. However, the President may waive the minimum requirement if he determines that there are an insufficient number of projects which quality for this assistance and the reasons for the waiver are reported to Congress.

In light of the problems with this program, the bill would change the current requirement that not less than 15 percent of the annual aggregate value of title I agreements be under title III to 10 percent.

Enhancement of section 416 program

Through price support program operations, the Commodity Credit Corporation (CCC) has built up stores of significant quantities of food. Specifically, including the grain in the disaster and food security reserves, the CCC owned at the end of the last year, nearly 100 million pounds of butter, 600 million pounds of cheese, 1.1 billion pounds of nonfat dry milk, 13 million bushels of barley, 202 million bushels of corn, 90 million bushels of sorghum, 349 million bushels of wheat, 20 million hundredweight of rice, and 81.5 million pounds of honey.

Under the current provisions of section 416, the Secretary is authorized to donate abroad only wheat and dairy products. In order to provide the Secretary with the authority and flexibility to better utilize our government held surplus to help needy persons overseas, this legislation expands section 416 authority to include any CCC owned food commodities and products thereof, and requires the Secretary to estimate and announce each year, the types and amounts of commodities that are anticipated to be available for distribution.

In the hope of maximizing the utilization of those commodities that would otherwise spoil in government warehouses, the Committee bill requires that the Secretary strive for monitization of at least 5 percent of section 416 donations.

In providing this requirement, the bill expands the purposes for which eligible section 416 commodities may be sold or bartered to include the payment of processing and handling costs incurred in connection with the donation of these commodities, and if requested by a cooperative or nonprofit voluntary agency, to enhance the effectiveness of the requesting entity's food assistance programs.

In carrying out monitization, however, the Secretary would be required to guard against displacement of usual U.S. commodity sales in certain instances, not permit the use of local currencies generated for personnel and administrative costs of cooperating sponsors, distributing agencies, and recipient agencies (other than local cooperatives), and not permit the currencies generated to replace resources that would otherwise be available to private voluntary organizations and cooperatives.

In addition, the Committee bill requires that at least 400,000 metric tons of eligible section 416 commodities be furnished to cooperatives, private voluntary organizations, and the World Food Program each fiscal year for distribution in developing countries. However, the President can waive this requirement if he determines that this quantity can not be effectively used or that there are insufficient eligible commodities to support the program. Neither the Secretary nor the Commodity Credit Corporation would be required to purchase commodities for donation under this program.

Food for progress

The current famine in Africa has been called one of the great tragedies of our time. It now affects the lives of an estimated 150 million people in 24 nations, and the situation shows few signs of improving over the next few years.

The tragic dimensions of this famine have stirred the Committee to re-examine our good assistance programs and analyze the extent to which these programs effectively provide humanitarian assistance and promote agricultural development in recipient countries. As a result, the Committee bill contains a number of innovative revisions aimed at improving current programs.

The problem facing Sub-Saharan Africa

Over the past 2 years, the United States has become aware of the famine facing people in 24 different countries in Africa. The famine is widespread, and indeed, the dimensions of this tragedy are not easy to grasp.

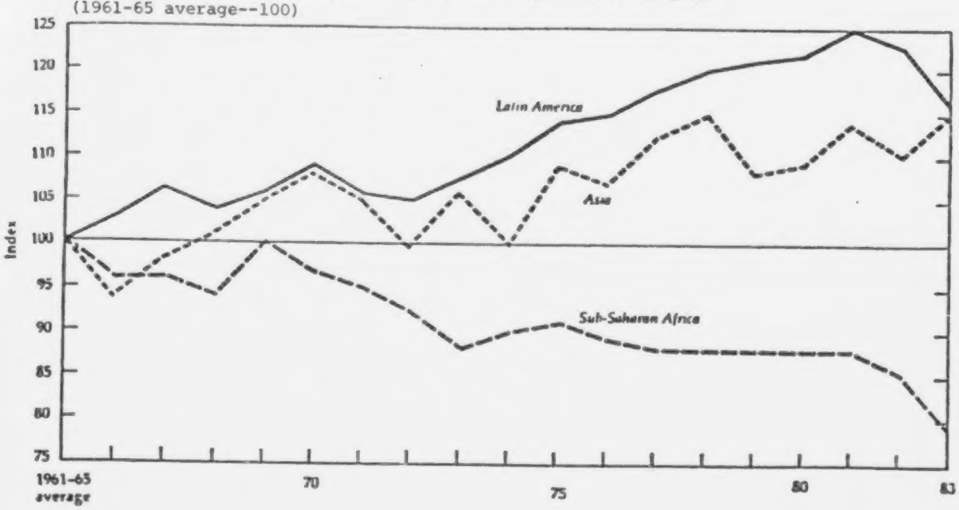
According to estimates released in 1984 by the United Nation's Food and Agriculture Organization (FAO), more than 150 million out of Africa's 450 million people are effected by this famine. World Bank estimates indicate that as many of 100 million of those affected are "severely hungry and malnourished."

In most of these 24 countries affected by famine, the average per capita calorie intake is below what is considered by the FAO to be a minimum nutritional level. It has been estimated that, at the beginning of 1985 more than 20 million Africans were at immediate risk of death from starvation.

The famine affecting much of Africa has been attributed directly to insufficient indigenous food production to meet the demands of the continent's growing population. Lofchie and Commins, in their study "Food Deficits and Agricultural Policies in Sub-Saharan Africa," see the famine as "the most immediate, visible and compelling symptom of a continent-wide agricultural breakdown in tropical Africa."

There appears to be much credence to this conclusion. According to the U.S. Department of Agriculture, Sub-Saharan Africa is the only region of the world where per capita food production has declined over the past two decades. The following chart compares per capita food production for this region with that of Asia and Latin America.

Index of Per Capita Food Production, 1961-65 to 1983
(1961-65 average--100)



Source: Based on data provided by the U.S. Department of Agriculture.

Seen as a trend, annual per capita food production in the 24 countries most seriously affected by drought has been falling at an average of 2 percent a year since 1970. It has been estimated that should this fifteen year trend continue, per capita production of food in 1988 in these countries will be the same as in the drought-ravaged year of 1984, even if 1988 has normal weather. However, this prediction may be optimistic. Recent projections by the FAO suggest that 1985 food production in the 21 countries most effected by the drought will decline by 12 percent below 1984 production levels.

These projections paint a very dim picture for the future of countries in Sub-Saharan Africa. However, we have examples of other countries which have also faced a similar fate, yet were able to reverse trends and grasp prosperity.

Thirty years ago, much concern was expressed about the long-term prospects for South Korea. In 1955, Korea was suffering serious economic disruption, in large part as a result of the war. Per capita income was about $100 annually, the agricultural sector was so weak that massive food assistance had to be provided by the United States for the remainder of the decade and Korea's exports in the last years of 1950's totaled only about $20 million annually.

Today, Korea sets a standard for development that other developing countries would like to match. Annual per capita income in Korea is more than $1,500. The nation has a highly developed rural and industrial sector, with annual exports amounting to over $18 billion. The economy is healthy enough to sustain a position as the fifth best customer of American farm commodities and products, with annual purchases regularly exceeding $1.0 billion.

Similar advancements in Africa are possible. In examining prospects for Africa's future, the World Bank, in its report "Toward Sustained Development in Sub-Saharan Africa," concluded that "the evidence is overwhelming that, with the right combination of external assistance and domestic policies, countries can turn around, often in less than a decade." However, before recovery can begin, the reasons for the problems facing Sub-Saharan Africa need be identified.

Weather as the cause of the famine

The common perception is that the African famine is caused by drought. To a significant extent, the famine currently engulfing Sub-Saharan Africa can be attributed to the fact that those regions have experienced as much as four years of unusually dry weather. It is also important to note that agriculture in much of Africa is highly dependent on rainfall. Since irrigation is not widely practiced, inadequate or delayed rains make crop failure much more likely. In addition, when rainfall is insufficient over successive years, as it has been in a number of famine affected countries, surplus stocks are drawn down.

However, a general lack of rainfall cannot be held to be the cause of the current famine. According to U.S. climatologist C.W. Thornthwaite, quoted in a recent "Earthscan" publication, average rainfall for Sokoto (in northern Nigeria, bordering on the Sahel region), actually exceeds average rainfall for London, England by about 4 inches a year.

In addition, weather patterns in the Sahel region were analyzed by the UN World Meteorological Organization following the last drought period of 1968–73. In his report to the Organization, E.G. Davy concluded that "no serious analysis of the available data is known to show a falling trend of rainfall in the (Sahel) zone over the period for which records are available."

While the current food shortage in Africa can be attributed in some degree to rain shortfalls, according to the Congressional Research Service, there tends to be general agreement that "Africa's food problems appear to be long run in nature." In the same vein, it has been suggested by the World Bank that in most of Africa, the potential for increasing agricultural output exists, and that most African farmers are producing below their potential.

A number of factors have been cited as bringing about the long-term problems with African agriculture, including political instability, population growth, and inadequate infrastructure. However, a recent study by the Congressional Research Service indicated that "the most widely stated reason for the poor food production performance in Sub-Saharan African countries is that governments have followed policies that create disincentives for farmers to produce and market more food . . ."

Agricultural policies in Sub-Saharan Africa

The countries now affected by the famine have, at some time over the past decade, had national policies that worked to deter agricultural production. Specific national policies aimed at providing cheap food for consumers, promoting export crops, overvaluing currency, and perpetuating or extending government control over the farm economy had the effect of substantially reducing per capita agricultural production.

These policies have been used because of the low priority that African nations have assigned to agriculture and food production. This bias can be traced to a desire among the leaders of new nations to pursue mixed economies with a heavy emphasis on foreign aid, industrial development, and education and health services. To the new leadership, agriculture was a "backward" sector whose development could be passed over and whose wealth and resources could be taxed to promote the more glamorous and modern urban and industrial sectors.

Agriculture's size and nature has made it a practical and easy target for taxing policies. In most African countries, agriculture is the largest economic activity, and in a number of these countries, such as Tanzania and Chad, it provides more than half of the gross national product. The peasants who provide the bulk of the agricultural production, furthermore, live out in the hinterlands where distance deprives them of a voice in a political process dominated by civil servants, police, army, and urban dwellers.

Perhaps the most prevalent of the "anti-agriculture" policies are the so-called "cheap food policies". Under these policies, domestic foods are kept low; sometimes through subsidies, but often through low prices set by the government at the farm level.

Of the 20 most famine prone countries studied by the Congressional Research Service, almost all have at one time or another, had "cheap food policies." In a number of countries, policies are still in effect, all but 3 of the 20 nations studied maintain government controls on producers' prices—the most common mechanism through which cheap food policies have been carried out.

Prices for farmers' commodities have been further depressed in a number of nations through deliberate currency overvaluation. During the 1970's, many currencies were increasingly overvalued. As a result, food imports were often obtainable at prices below domestic price levels, effectively enabling governments to set low prices for domestic production.

These "cheap food" and currency overvaluation policies can be especially onerous to farmers. For example, the government pricing policy for rice in Mali was thoroughly examined in a 2-year study which indicated that farmers were destined to lose money. Specifically, the study found that it cost farmers 83 Malian francs to produce a kilo of rice, for which the government had set a price of 60 Malian francs.

The fact that these policies exist is not hidden, sometimes the policies are considered to be totally appropriate. In Zambia, where the government maintains price ceilings on 15 different food products, the President was quoted as saying that "the farmers were being called on to join the government in subsidizing consumers of their produce."

While the primary motivation for these policies appears to be to keep food prices low for the politically powerful urban population, these policies also work to promote industrialization. In developing countries, generally at least half of the average citizen's available income is spent for food. Low food costs can be translated into lower wages, and lower costs for industrialization.

As a result of these policies, there is general agreement that incentives have been reduced for African farmers to produce food commodities. As a result, Carol Lancaster, in a paper prepared for the Overseas Development Council suggests that "many farmers in Africa have returned to producing mainly for their own needs," as prices received fail to cover costs for fertilizer, seed, and the labor required for additional production. Other farmers—who have been producing beyond their own needs—have chosen to take the risks of either trading on the black market or smuggling their products to neighboring countries where prices may be higher. In a recent article in the Los Angeles Times, it was reported that cheap food policies have also worked to drive some farmers totally out of business.

Export cash crops

To the extent that governments do support agriculture, it has traditionally been in the area of export cash crops, such as cotton, tobacco, cocoa and coffee. In a number of countries, production of export commodities has been encouraged through such mechanisms as (1) requirements that the most productive lands (usually those in the vicinity of southern rivers) be used only for export commodities, (2) government pricing policies that encourage production of such commodities instead of food crops, and (3) subsidization of inputs and machinery geared for the production of export commodities.

The emphasis on exports can be traced in large part to a desire to gain foreign exchange. Such foreign exchange could be used to purchase foreign-produced items; whether it be food or consumer or industrial goods. In addition, a number of Sub-Saharan countries need foreign exchange to help make payments on foreign debt. During the first 4 years of this decade, 23 of the 31 debt reschedulings carried out by the Paris Club were for the benefit of 13 Sub-Saharan countries.

However, part of the emphasis on export commodities can be attributed to acceptance of the "principle of comparative advantage." This principle holds that countries can maximize their economic potential by specializing in the production of those commodities in which they are most efficient.

For Africa, this meant an emphasis on producing tropical commodities and an acceptance of the need to import grains, such as wheat and corn, which are best produced in temperate zones. This occurred under the belief that income generated by the sale of export crops, such as coffee, cocoa, or tea, would make it possible to purchase far greater amounts of wheat and corn than could have been produced domestically with the same inputs.

This emphasis on the production of export crops has had a number of effects on domestic food production. By reserving the best land for export crops, producers of food commodities were necessarily pushed onto the less productive land. Government efforts that might have been expended to produce food were expended to promote the production of export commodities.

In addition, when prices declined for tropical products in the late 1970's and early 1980's, foreign exchange earnings were reduced and a vicious circle was set up in which governments had to further encourage export production to help pay for food imports. These factors combined to make production of food commodities more expensive, thus further reducing incentives for peasant farmers to produce for market demand.

Government control of agriculture, whether in the distribution of production inputs or the procurement of food commodities is common in some form throughout Sub-Saharan Africa. Of the 20 countries surveyed by the Congressional Research Service, all rely to a greater or lesser extent on national marketing agencies to procure and market cereal grains and other agricultural products.

In some countries, generally in East Africa and the Sahel, such agencies are the only legal procurement channel. In others, primarily in West Africa, the agencies co-exist with private traders. Furthermore, according to a report in the Los Angeles Times, the government has a monopoly on the distribution of such production inputs as fertilizer and seeds in 60% of the nations in Sub-Saharan Africa.

For the most part, these government agencies trace back to colonial times. In some instances, however, they were developed after independence. There agencies enable central governments to carry out cheap food policies, which are based on procuring farm commodities at low official prices, and give the government control of an important political commodity—food.

The agencies also provide a mechanism through which the government can maintain a political presence throughout the countryside, and provide employment for additional civil servants. In countries where governments have a monopoly on supplying inputs to farmers, agencies can also promote domestic production of inputs through the subsidy of a guaranteed market entailing a government-set price.

The operation of these government agencies has been suggested as a serving as a deterrent to agricultural production. They often require government subsidies to maintain their operation. In general, these agencies have been characterized as "overstaffed, poorly motivated," and out of tune with the farmers they are supposed to serve.

To the farmer these agencies have brought a number of problems. According to a report in the Los Angeles Times, failures in agency operations and planning have left farmers through out the continent without necessary inputs at planting time and without payment at harvest time. In addition, government agencies, especially in East Africa, sometimes lack the necessary storage facilities or financing to handle surpluses produced by farmers, and respond by refusing to purchase the crops.

Tanzania provides a lucid picture of the results of the policies associated with agrarian socialism. Upon independence, President Nyerere set out to form a model socialist nation. He collectivized farms, (sometimes forcibly), set up a government monopoly agency—the National Milling Corporation—through which farmers had to buy their inputs and sell their harvest, overvalued exchange rates, and set prices at levels below those the market would have provided.

In response to low prices, Tanzania's peasants refused to grow crops. In turn, Nyerere implemented a law forcing each village to produce a certain amount. However, this has proved unenforceable, and, since 1976, per capita agricultural production has dropped from 97 percent to 83 percent of the average. Currently, Tanzania must import almost as much as it produces to meet what is considered by FAO to be its minimum requirements.

In order to reverse Africa's trend of declining per capita agricultural production, farmers will need incentives to produce more than just enough food for their own consumption. It is apparent that the current lack of such incentives can be attributed to government policies. Yet changing these policies and effectively providing the incentives necessary to encourage the food production necessary to feed Africa's growing population is no easy matter.

Changing the policies of Sub-Saharan governments

There appears to be interest in countries affected by famine in altering policies which have traditionally discouraged agriculture. Specifically, a variety of governments are either considering or actions that would raise farm prices, bring about more realistic currency exchange rates, reverse emphasis on export crop production, and loosen government control of production and marketing.

Most governments have reacted to the current food crisis by raising producer prices to some extent. According to a report prepared for the Overseas Development Council, procurement prices for agricultural products have been raised in recent years in over 20 countries in Sub-Saharan Africa.

For specific examples of producer prices being increased, during 1981, rice prices were increased in Liberia by 20 percent, Senegal by 30 percent, and Madagascar by 15 percent. The following table shows how Kenya has each increased farm prices for food over the period 1979–1982.

INCREASE IN PRODUCER PRICES

Country, crop and year	Official exchange rates (US$/M.T.)	World market prices, (ratios)	Unit import prices (ratios)
Kenya:			
Maize:			
1979	91.12	.77 (.55)	
1980	132.28	1.02 (.75)	.64 (.47)
1981	117.22	.88 (.76)	.62 (.54)
1982	137.00	1.14 (1.14)	.78 (.78)
Wheat:			
1979	204.98	1.25 (.90)	.66 (.47)
1980	220.50	1.26 (.92)	.83 (.61)
1981	202.76	1.15 (.98)	.76 (.65)
1982	205.60	1.23 (1.23)	.78 (.78)
Rice:			
1979	198.77	.87 (.63)	.58 (.41)
1980	224.87	.76 (.56)	.62 (.45)
1981	165.21	.50 (.50)	.42 (.42)
1982	256.17	1.24 (1.24)	.94 (.94)

Source: American Journal of Agricultural Economics.

Governments also appear more willing to reduce their role in the production and marketing of agricultural commodities. In several countries; Burundi, Kenya, Lesotho, Liberia, Malawi, Mali, Sierra Leone, and Uganda, growth in public employment has been banned or severely limited. In Mali, the Government has relinquished its role as the monopoly purchaser of course grains, and in Senegal, Zaire, Uganda, and Sudan, Government control of crop marketing has been eliminated.

While such policy reforms are being undertaken, we should not lose cite of the fact that many of these changes are limited in scope. The most significant changes are occurring only in a limited number of affected countries. In addition, while many countries have increased producer prices to some extent these increases were not large enough to make up historical differences between world and domestic market prices.

The reluctance that Governments have displayed in altering policies that have proven to deter agricultural production can be traced to the constraints they face in making such changes. Food policy for a developing country can be an issue as delicate as family planning.

Food policies in much of Africa were designed in part to please the politically powerful elements in society; the urban population, civil servants, and industrial leaders. Extricating a country from these policies can present leaders with the sizeable political risk of alienating their political power bases.

Earlier this year, the leadership of Zimbabwe was so apprehensive about plans to increase prices to farmers that they chose to delay planned price increases until after the ensuing general election. Their apprehension may be justified, as announcement of food price increases have been known to bring about strong reactions, sometimes in the form of riots. In 1979, rice price increases in Liberia spurred riots in which more than 100 persons died, and in 1981, riots broke out in a number of cities in Sudan following announcements of Government plans to double sugar prices.

Recent developments in Sudan, where the Government was overthrown following announcements of changes in food policy, provide a clear case study on the dangers inherent in altering agricultural policies that have benefited politically powerful sectors.

At one time, there was great hope for agricultural production in Sudan; with the international press frequently asserting that the Sudan could become the breadbasket of the Middle East. However, rather than producing food, Sudan has been proficient in importing it.

In the process of importing food, it had run up an estimated $7 billion external debt by the beginning of 1983, more than seven times the country's annual export earnings. Servicing this debt would require more annual increase than Sudan earns from exports.

In light of the problems facing Sudan, the International Monetary Fund and the United States requested that the Nemeiri government in Sudan undertake significant economic reforms. In addition, the United States indicated that $180 million in allocated foreign assistance would be withheld until the recommended reforms were undertaken.

In a bid to obtain this assistance, President Nemeiri moved in late March 1985, to implement some of the requested reforms just prior to departing for a visit to Washington. As part of these reforms, the Sudanese currency was significantly devalued, and food and gas prices were increased by as much as 60 percent.

In response to the announcement of these actions, riots broke out in Khartoum on March 26. The riots lead to a general strike which began on April 3 and subsequently spurred the leaders of the military to overthrow President Nemeiri.

Prior to the fall of the Nemeiri government, the World Bank predicted that effective domestic reforms of agriculturally related policies could not be undertaken without appropriate levels and types of external assistance.

In order to provide the kind of assistance necessary for African countries to undertake policy changes, the World Bank has proposed, in its report "Toward Sustained Development in Sub-Saharan Africa," that a special facility be established:

> The facility would give governments the confidence they require that external support will be forthcoming at an adequate and sustained level if they introduce major programs of reform. By placing the additional funds outside of the regular donor programs, the special facility would also provide flexibility, which is otherwise difficult to build into donor programs. The facility would represent additional funds to present and prospective levels of bilateral and multilateral assistance. The resources of the facility would

be activited only when required to give additional support to a country's reform programs.

The Food for Progress Program authorized in the Committee bill would establish a facility similar to that recommended by the World Bank, and closely tracks the recommendations of President Reagan's Task Force on Hunger in the Third World.

The President's task force was commissioned early in 1984 to study U.S. food aid programs and their effectiveness in providing emergency humanitarian assistance and promoting indigenous agricultural development. Chaired by the U.S. Ambassador to Madagrascar, Robert Keating, the task force presented its recommendations on agricultural development to the President in December 1984.

These recommendations called for the establishment of a new program aimed at using surplus U.S. agricultural commodities to leverage and support agricultural policy changes in recipient countries. Called "Food for Progress", the concept received the public support of the President in early 1985, and the Administration subsequently submitted proposed authorizing language to Congress.

Whether intentionally, or by coincidence, the Food for Progress proposal developed by the President's task force on Third World Hunger closely tracks the recommendations of the World Bank. Specifically, the Commission's proposal has four basic elements; White House coordination, bonus grants, multi-year commitments, and use of surplus stocks. These elements have all been included in the Committee's Food for Progress proposal.

In order to qualify for a Food for Progress grant under the provisions of the Committee bill, a partner country would have to be carrying out, or be committed to carrying out, policy reforms in any of a number of areas. As set forth in the Committee bill, the policy reforms would include—

a. access, on the part of farmers, to private, competitive markets for their products, in order to loosen government control of the agricultural sector;

b. Market pricing of commodities to foster adequate private sector incentives to individual farmers to produce food on a regular basis for the country's domestic needs. The purpose of this reform is to change government practices of setting artificially low prices for farm commodities, and also addresses the need to produce "food for domestic consumption" rather than the production of export cash crops.

c. establishment of market-determined foreign exchange rates, in order to end artificial determinations of exchange rates that have discriminated against indigenous agricultural production; and

d. timely availabiltiy of production inputs and access to technologies appropriate to the level of agricultural development in the country. This reform also aims to loosen Government control over the agricultural economy by addressing situations in which Governments force farmers to use inappropriate inputs, either to benefit a favored sector of the economy or because of inefficient operations of Government agencies.

White House coordination

Whether a Food for Progress program can effectively be utilized by a developing country to bring about the policy reform necessary for agricultural development will largely be determined by the ability of our government to conform the program to the very specific needs of the developing country.

However, there is reason to believe that the current United States apparatus for providing food aid is neither flexible nor sensitive enough for the needs of individual recipients to perform the targeted functions called for in the Food for Progress proposal.

Testimony received at Committee hearings earlier this year indicated that many in the agricultural community feel that the current decision making process for food aid has become so confusing and drawn out as to be in dire need of reform.

These calls for reform are reasonable. Before food assistance agreements can be executed with foreign nations, they must be developed and approved by a working group consisting of representatives of five different governmental agencies; the Department of Agriculture, the State Department, the Agency for International Development (AID), the Treasury, and the Office of Management and Budget (OMB).

In developing a food aid agreement with a recipient nation, these agencies have different, and sometimes conflicting, objectives. The Department seeks to develop markets for U.S. commercial exports of food, and looks to dispose of national commodity surpluses. The Department of State, however, is concerned with avoiding trade frictions, protecting strategic balances, and promoting political objectives. The Office of Management and Budget is concerned with limiting government spending, and the Treasury attempts to maintain the stability of the international financial system. The Agency for Internal Development, which coordinates the activities of the other agencies, seek to promote economic development and to respond to emergency food needs.

The process works slowly and inefficiently. The process is coordinated by AID, even though it is traditionally the weakest of the agencies. Veto power is given, not to those agencies traditionally associated with food aid, but rather to the Treasury and OMB.

As a result of this process, assistance is often delayed and the needs of recipient nations not met. On the average, it takes at least 5 months for a private voluntary organization to get approval for a routine food distribution proposal.

Earlier this year, a proposed concessionary sale to Morocco was stalled for 6 months due to an inability to come to agreement with the Moroccan government as to what kind of "self-help" measures should be taken in conjunction with the sale. Also this year, a proposed concessionary sale to the Philippines was delayed for an even longer period due to concerns raised by the State Department.

Inter-agency conflicts tend to accompany a food aid program, no matter how it is administered. However, the Food for Progress proposal seeks to minimize the problems resulting from such conflicts by having for a new White House official implement the program.

This arrangement would reverse the current situation, in which the process is coordinated by the weakest party, by placing this function directly in the strongest center of power in Government.

Centering decision making authority in one office, rather than on a working group consisting of five agencies, adds flexibility to the program. In addition, the Committee bill includes no specific requirements for coordination with any other agency, thus avoiding requirements that have helped turn the current process into a mire of conflict between competing agencies.

Bonus grants

The Committee bill provides that any Food for Progress grants will be in addition to any present or prospective assistance provided through any other mechanism for U.S. food aid. This concept is consistent with the recommendations of both the World Bank, and the President's task force. The Committee believes that the resources of this program should be used by the partner governments to buffer the effects policy changes would have on politically sensitive groups within their countries.

Food assistance is used by recipient countries to serve a variety of domestic purposes. If Food for Progress grants were not bonus grants, they might well be used by the partner country to serve the purposes currently served by the regular food assistance. This structure also gives the recipient more freedom to use this food to buffer the effects of policy changes. In addition, the bonus aspect of the program is enhanced by placing program coordination and administration outside of the traditional food aid process.

Multi-Year commitments

The Committee bill also provides that Food for Progress grants may be spread over several years. The policy reforms which African countries need to pursue to return incentives and growth to their agriculture sector carry great risks. It will take such countries a number of years to implement these reforms, wean their populations from cheap food policies, and bring about a healthy domestic agricultural sector.

In light of these factors, leaders of countries desiring to participate in a food for progress program will need assurances that they can depend on delivery of support for a number of years. The Committee bill, consistent with the recommendations of the President's task force, and the World Bank, seeks to provide such assurances by authorizing multi-year aid commitments.

Use of surplus stocks

Presently, there are two ways in which U.S. food aid programs are financed. The section 416 program utilizes government stocks of dairy products and wheat acquired by the Commodity Credit Corporation through price support operations. In the much larger Public Law 480 program, the U.S. government purchases commodities directly off the U.S. domestic market in order to donate them under title II of Public Law 480.

One of the issues addressed by the Committee at hearings earlier this year concerned the advisability of operating the Food for Progress program as part of the Public Law 480 Program. Although the Public Law 480 program is our government's primary mechanism for providing food assistance, the Committee decided against using this program as the mechanism for financing and operating Food for Progress.

In addition to the cumbersome decisionmaking process associated with the Public Law 480 program, the program also operates under the "use or lose" fiscal year constraints of an appropriated program. These constraints would encourage the use of Food for Progress grants to meet the operating goals of the Administration rather than in accordance to the needs of recipient countries.

Furthermore, subjecting Food for Progress to annual appropriations would jeopardize the reliability associated with multi-year commitments and diminish the leverage needed to induce partner nations to undertake policy reforms.

While there may be enthusiasm for spending tax dollars on food aid programs today, this enthusiasm may wane with the passing of time. At that time, and in light of budget constraints, funding for our food programs—including Food for Progress—might be reduced, threatening the integrity of our commitments. Indeed, the Committee recognizes that forseeing these problems, African countries might be reluctant to commit themselves to significant policy reform.

Title III of Public Law 480—the vehicle that some suggest be used for the operation of Food for Progress be operated—carries significant restraints. Numerous General Accounting Office reports have criticized administration of this title. In addition, the self-help requirements associated with this program are directed towards a wide range of social reforms, tend to promote greater centralized economic controls, and require a large administrative staff to monitor program compliance.

The Committee, recognizing the program constraints inherent in operating a program through Public Law 480, decided to fund Food for Progress through the section 416 surplus disposal program. Operating the program in this manner will remove it from the constraints of annual appropriations, complex bureaucratic processes, and confusion surrounding the Public Law 480 program.

The Committee is aware of the concern associated with financing a program through reimbursement. In light of this concern, Food for Progress is crafted to be fiscally responsible. The proposal provides that in any fiscal year, no more than 500,000 metric tons of commodities could be utilized. This represents about 1 percent of current government owned commodity surpluses.

Specifically, current Department of Agriculture estimates indicate that, by the end of 1985, the government will have more than 44 million metric tons of grain sitting in warehouses. This means that the Food for Progress program could be operated off of current government surpluses for 88 years. In addition, the size of our surplus holdings is likely to grow, at least through 1986.

With the U.S. government owning such large amounts of food for which there is no market, the Committee thought it best to use these stocks through section 416 rather than to go out and purchase new stocks on the markets, as would be the case if the program were operated through Public Law 480.

Many African governments now realize that policies that deny farmers appropriate inputs and technology and force them to sell their products at low prices unrelated to demand to subsidize food for urban populations are counter-productive. They understand that Africa will remain hungry unless policies are implemented that provide farmers the incentives that accompany free markets.

Without the benefit of growth-oriented policies which give individual farmers access to appropriate inputs and technology and allow these farmers to produce and keep the fruits of their labors, the investment of time and resources necessary to feed the continent's growing populations will never be made.

The Food for Progress program in the Committee bill utilizes surpluses already bought and paid for, to help governments in Africa and elsewhere return to their farmers the incentives inherent in free-market economic systems.

In addition, the program provided for in the Committee bill has strong support among the American agricultural community, indicating that our farmers recognize that countries need to develop in order to become paying customers of our farm products, and that the only ticket to real development is the free enterprise system.

Special Assistant for Agricultural Trade and Food Aid

While the Committee bill contains a number of provisions aimed at improving U.S. commercial exports in the near term, the success of our efforts in the developing world might well determine the health of our agricultural sector in the long term. The evidence is clear that the economic growth in poorer nations will produce customers for U.S. farmers.

Of the top 10 overseas markets for U.S. agricultural products last year, 8 of those countries had at some time received food assistance from the United States. Every year, South Korea spends more dollars for U.S. farm products than it received in American food aid over a period of 25 years.

Rapid economic growth in developing countries leads to sharp increases in the demand for food. As incomes increase, demand for food increases. Those increases in food consumption take several forms. One involves upgrading the quality of basic foodstuffs, e.g. eating less of inferior cereals, such as coarse grains, and more of preferred cereals, such as wheat. Also, as incomes grow, people want to eat more meat, poultry, and dairy products, in turn increasing the demand for feedstuffs.

As a result, developing countries have been among the most rapidly growing markets for U.S. agricultural commodities. In the 1960's and 1970's, when the middle income countries were experiencing economic growth of 5 to 7 percent, they become an explosive market for farm products, particularly grain. In the years between 1960–63 and 1977–79, they increased their imports of grain by over 300 percent.

U.S. agriculture benefitted directly from demand growth in the 1960's and 1970's. Review of 15 developing countries that experienced rapid economic expansion between 1960 and 1983 shows a substantial increase in commercial imports of U.S. farm products.

Over this period, imports of U.S. grain to these 15 countries climbed from 4.7 million tons to 26.2 million tons. Imports of U.S.

soybeans grew from 225,000 tons to 3.3 million tons. Imports of U.S. cotton tripled—from 188,000 tons to 593,000 tons. Table 1 lists the 15 countries along with their individual growth rates, Table 2 outlines U.S. Commodity Exports to these 15 countries over the past 25 years.

The challenge faced by our government is to help assure development in poorer countries today, so that they may become paying customers tomorrow. In order to meet this challenge, and to better coordinate food assistance and agricultural trade, the Committee bill mandates the appointment of a new Special Assistant for Agricultural Trade and Food Aid.

The Special Assistant provided for in the bill would be subject to Senate confirmation, would serve in the Executive Office of the President, and would have cabinet the rank.

The special assistant's responsibilities would be to assist and advise the President in order to improve and enhance food assistance programs carried out in the United States and foreign countries, coordinate and streamline the manner in which food assistance programs are carried out by the Department of Agriculture and the Agency for International Development in order to improve their overall effectiveness, and make recommendations to the President on measures to be taken to increase use of United States farm commodities and the products in food assistance programs.

In addition, reflecting the Committee's dissatisfaction with the current food aid decisionmaking process, the Special Assistant shall serve as a member of the Development Coordination Committee and as Chairman of the Food Aid Subcommittee of that Committee. It is hoped that, by serving in this role, the Special Assistant will be able to streamline what is now a complex, confusing and inflexible process.

Furthermore, the Special Assistant may solicit information and advice from private and governmental sources and recommend a plan to the President and Congress on measures that could be taken to promote U.S. agricultural exports, develop and recommend national agricultural policies, and appraise the various programs and activities of the federal government for their effects on the United States agricultural industry.

TABLE 1.—ANNUAL AVERAGE REAL ECONOMIC GROWTH RATES IN 15 DEVELOPING COUNTRIES

[In percent]

	Total		Per capita	
	1960–70	1970–81	1960–70	1970–81
Brazil	6.0	7.7	3.2	5.5
Egypt	5.5	7.5	3.0	4.9
Hong Kong	9.9	10.0	7.0	7.4
Indonesia	4.6	7.8	2.4	5.3
South Korea	8.6	9.0	5.8	7.2
Malaysia	6.4	7.8	3.4	5.2
Mexico	7.6	6.5	4.2	3.4
Morocco	5.3	5.2	2.6	2.1
Philippines	5.2	6.2	2.1	3.4
Singapore	9.2	8.6	6.7	6.9
Sri Lanka	4.9	4.7	2.5	3.0
Taiwan	8.9	8.9	6.6	6.6

TABLE 1.—ANNUAL AVERAGE REAL ECONOMIC GROWTH RATES IN 15 DEVELOPING COUNTRIES—Continued

[In percent]

	Total		Per capita	
	1960–70	1970–81	1960–70	1970–81
Thailand	8.2	7.2	4.9	4.6
Tunisia	5.2	7.4	3.1	5.0
Venezuela	6.2	4.5	5.5	1.1

TABLE 2.—U.S. COMMODITY EXPORTS [1] TO RAPIDLY GROWING DEVELOPING COUNTRIES

[In thousand metric tons]

	1960–61	1970–71	1980–81	1981–82	1982–83	1983–84
Wheat:						
Public Law 480	1,449	1,374	2,064	2,099	2,295	1,969
Commercial	2,764	3,292	10,096	11,723	8,470	9,190
Total	4,213	4,666	12,160	13,822	10,765	11,159
Rice:						
Public Law 480	121	631	213	89	0	55
Commercial	19	6	1,127	398	269	161
Total	140	637	1,340	487	269	216
Coarse grains:						
Public Law 480	49	46	191	25	0	0
Commercial	312	773	13,051	10,010	18,338	14,786
Total	361	819	14,962	10,035	18,338	14,786
Soybeans:						
Public Law 480	0	0	0	0	0	0
Commercial	225	759	2,648	2,357	3,056	3,346
Total	225	759	2,648	2,357	3,056	3,346
Soybean oil:						
Public Law 480	1	31	0	0	0	6
Commercial	17	21	122	61	85	100
Total	18	52	122	61	85	106
Cotton:						
Public Law 480	44	185	7	1	0	0
Commercial	144	141	647	657	525	593
Total	188	326	654	658	525	593

[1] Public Law 480 consists of titles I and III programs.

TITLE II—DAIRY

BACKGROUND

Farm level

Raw milk in 1984 was produced on 285,740 farms throughout the United States. These farms today milk 11.1 million cows usually twice, but sometimes three times, a day. After milking, the milk is cooled on the farm and held in a stainless steel tank. The milk is picked up from farms by tank trucks every other day and moved to fluid milk bottling plants or dairy product manufacturing plants.

Milk is handled under sanitary conditions at all stages to guard against bacterial contamination. Milk is moved quickly, for it is a highly perishable commodity which must be marketed promptly either as fluid milk or as a manufactured, storable dairy product such as cheese, butter, and nonfat dry milk.

During 1984, about 50.1 billion pounds of raw milk were processed (pasteurized, homogenized and packaged) by about 1,000 fluid milk bottling plants. About 80.7 billion pounds of raw milk were transformed into various dairy products by about 2,000 manufacturing plants.

Milk production and consumption fluctuate seaonally. Milk production generally increases during spring and early summer and decreases in the fall. Consumption is at its peak in the fall and winter. Therefore, if productive capacity were maintained to meet October's demand, excess production would flood the market in May.

There are two quality levels of raw milk produced in the United States—fluid grade (grade A) and manufacturing grade (grade B). Fluid grade milk must meet strict sanitary standards and is the only grade that can be bottled. Manufacturing grade milk, on the other hand, may meet somewhat lower standards. These lower standards are acceptable because the milk undergoes processing at high temperatures for a longer period of time than in pasteurization of fluid milk.

More farms are upgrading their dairy operations in order to meet the higher sanitary standards of fluid milk. Of all milk produced during 1983, 86 percent was fluid grade, compared with 61 percent in 1950.

Productivity Advances

In recent years, dairy farmers have increased milk production per cow through four interrelated means: genetic progress, nutrition, herd health, and herd management.

Genetic progress

The milk producing capability of dairy cows has increased consistently through the careful selection of dairy bulls possessing superior milk production traits, and the widespread use of these sires made possible by artifical insemination ("A.I.").

The development of effective and inexpensive A.I. technology is probably the single most important factor in the rate of genetic progress as increased milk production is highly inheritable and is transmitted primarily by the sire. In constrast to natural service, A.I. permits superior bulls to sire hundreds of progeny per year, over a large geographic area.

The effectiveness of the bull selection process has been improved by the availability of detailed cow records through widespread participation by dairy farmers in the National Dairy Herd Improvement Program.

Nutrition

Research into ruminant nutrition, forage crop production and storage, and feeding practices has provided American dairy farmers with the knowledge necessary to formulate dairy cow rations capable of supporting high milk production levels.

Dairymen have made wide use of feed ingredients and ration balancing services commonly made available by commercial and public organizations. At the same time, improvements in feeding machinery and equipment, crop varieties, and storage, have provided farmers with the capability to produce the highest quality forages.

Herd health

Herd health problems can reduce milk production per cow and shorten the production life of a dairy animal.

Mastitis, an inflammation of the udder, is endemic in dairy herds. It results in lower milk production, and may even bring about the loss of the animal. Caused by a variety of organisms, this disease can be controlled, but not eradicated.

Economic losses associated with mastitis can now be minimized through a combination of activities. Specifically, to fight mastitis, the farmer must undertake proper milking procedures, including the correct use of milking equipment, and undertake preventative treatment.

Furthermore, numerous other significant infections, diseases, and parasites can now be prevented by vaccination or eradication programs, or effectively treated with therapeutic agents.

Herd management

Dairy herd productivity has increased as managers have integrated the above technological advances into their management system. Much of the credit for the dissemination of this information to managers can be given to the extension system, and the National Dairy Herd Improvement Program.

The NDHI provides dairymen with a wealth of timely management information and data. This information and data allow farmers to more efficiently manage reproduction and more effectively select sires. In addition, it assists farmers in developing nutrition programs, and provides guidance as to the appropriate timing of culling unproductive animals.

New technology

The dairy industry is on the edge of a technologicalk revolution, which, if the Federal Government does not stand in the way, promises to usher in a new era of opportunity for the industry.

At hearings held earlier this year by the Committee, the Office of Technological Assessment informed the Committee that with current economic conditions, milk production per cow could increase by 14 percent within only 5 years, and by 43 percent by the year 2000.

These projections mean that the real cost of producing milk is likely to fall. If the government permits the marketplace to reflect these changes, milk and dairy products will be increasingly better bargains for consumers, the rise in the use of substitutes will be slowed, and there will be additional incentives for corporations to develop new users for milk.

Bovine growth hormone

Bovine Growth Hormone (BGH) has been the subject of research for 50 years. However, recent years have seen technological breakthroughs which seem likely to make BGH a major factor in productivity advances.

Specifically, recent applications of biotechnology (gene manipulation) have lead to increased supplies of the hormone at greatly reduced cost. This in turn has permitted more research into the effects of BGH on the rate of milk production.

Results at Cornell University and other research centers have demonstrated that daily BGH injections can increase milk production from 6 to 40 percent. (Table 1) As the hormone is a naturally occurring substance, there does not appear to be any harmful side effects on cow health and longevity.

TABLE 1.—SUMMARY OF BOVINE GROWTH HORMONE (BGH) STUDIES

Reference	Number of cows	Stage of lactation	BGH dose (mg/day)	Length of treatment (weeks)	Milk yield (kg/day)		Increase or (decrease), percent
					Control	Treatment	
Brumby & Hancock	4		50.0	12	13.2	19.1	+45
Machlin	3		39.0	10	10-15	15-20	+30-50
Peel et. al.	5		50.0	22	19.8	23.3	+18
Cornell Monsanto	20	(1)	[2] 27.0	27	27.9	32.5	+16
			[3] 13.5	27	27.9	34.4	+23
			[3] 27.0	27	27.9	38.0	+36
			[3] 40.5	27	27.9	39.4	+41

[1] 12 weeks post partum.
[2] Pituitary bovine somatotrophin.
[3] Methiouyl bovine somatotrophin.
Sources: Brumby & Hancock, ———; Hachin, ———, etc.

Although feed intake is projected to increase with the use of BGH, the increased revenues associated with use of the hormone is expected to exceed the increased feed costs as well as the expected cost of the product. Researchers expect that the cost/benefit ratio will be such as to provide a strong incentive to dairymen to adopt this technology when it becomes available.

The on-farm use of BGH cannot begin until the Food and Drug Administration completes the necessary testing to ensure that the product is safe for the animal and for consumers. Safety problems are not expected because BGH is a natural protein and as a result, BGH may be commercially available within three years.

While BGH may not be readily available for a couple of years yet, a feed additive based on a similar concept is now on the market. The Committee received testimony from one of the developers of this product, Dr. Robert Cook of Michigan State University.

According to Dr. Cook, use of the additive brings about an increase in milk production of about 10 percent per cow without increasing feed requirements. The current cost of this product is such that the average dairy farmer could expect a 2 to 1 return on his investment in the product.

While this product has been under investigation for about 20 years, it was approved for sale only in November 1984. At the time of approval, a successful test marketing program was undertaken in Michigan. Currently, the product is only available to farmers in a number of States. However, it is expected to be marketed nationwide sometime in 1986.

The test marketings indicate that the product could be widely accepted by dairy farmers. Specifically, the test indicated that at least 65 percent of the farmers that have used it would purchase the product once available.

According to Dr. Cook, this test indicates that once introduced nationally, the product could penetrate the market rapidly, and could increase profitability on a nationwide basis by as much as $1 billion.

Embryo transfer

Embryo transfer (ET) technology is well established and the technique is being used in many herds with superior genetic quality cows.

Use of this technology involves treating donor cows with a hormone to induce the release of several eggs. The eggs are then fertilized in the donor cow and are removed by a nonsurgical procedure several days later. The embryos are inspected and then implanted into recipient animals either surgically or non-surgically. Typically, 10 embryos are recovered and 4 live births result, although there is significant variation from application to application.

Embryos may be frozen, which permits storage and transportation. However, with the freezing of embryos, the success rate of ET falls.

The current cost of ET is approximately $1,000 per live birth. This fairly steep cost generally limits the use of the technology to selected purebred herds with superior genetic animals. The major impact of this technology has been on the rate of genetic progress in sires used for artificial insemination, and therefore on those herds utilizing A.I.

While embryo transfer is seen by some as being too expensive the costs of the procedure may well be reduced in the future through the adoption of commercially successful techniques for splitting embryos and for determining the sex of the embryo.

Microprocessor applications

Electronic microprocessors have been incorporated into several pieces of dairy equipment, bringing about what some have called "the computerized cow."

Computerized feeders use a transponder worn by the cow to give selected high producing cows access to a feed dispenser, where she receives a specified amount of feed. These devices have enabled some dairymen to make more efficient use of feed, and to increase milk production per cow significantly.

An electronic uterus detection device is also available as an aid in determining where a particular cow is in her reproductive cycle. Use of this device leads to more milk per cow per year and lower breeding costs. While the current cost of this technology makes its use uneconomic in most herds, further developments are possible which may make its use more feasible.

The Changing Industry

The number of farms with dairy cows has decreased from 1.8 million in 1959 to 285,740 in 1981. The rapid disappearance of small herds is most noticeable while the number of large farms is rising. Thus, dairy farmers with 30 or more cows are producing an increasing share of the total milk produced.

The shift away from small dairy farms has been the result of nearly a 3-fold increase in labor productivity since 1972. Although this increase is due, in part, to smaller inefficient farms going out of business, labor productivity has also been raised by substantial inputs of capital and energy, and increased milk production per cow. Through improved breeding, feeding, and management, milk output per cow has increased from about 4,800 pounds in 1945 to 12,495 pounds in 1984. Meanwhile, cow numbers declined from about 25 million to 10.8 million during the same time period.

Total milk production increased to 125 billion pounds in the early 1960's and then declined to about 118 billion pounds in the late 1960's and early 1970's (Table 2). Total production was about 115.5 billion pounds during 1973–75 and then increased in 1976 and 1977. Milk production in 1983, at 139.7 billion pounds, was an all time record. While production declined in 1984, gains are currently expected for most of 1985, with total milk output for the year up from 1 to 3 percent from 1984.

TABLE 2.—MILK PRODUCTION, NUMBER OF MILK COWS, PRODUCTION PER COW AND AVERAGE MILK PRICE, UNITED STATES, 1960–80

Year	Milk production (million pounds)	Milk cows on farms (thousands)	Milk production per cow (pounds)	Received by farmers [1] (per cwt)
1960	123,109	17,515	7,029	$4.21
1961	125,707	17,243	7,290	4.22
1962	126,251	16,842	7,496	4.09
1963	125,202	16,260	7,700	4.10
1964	126,967	15,677	8,099	4.15
1965	124,180	14,953	8,305	4.23
1966	119,912	14,071	8,522	4.81
1967	118,732	13,415	8,851	5.02
1968	117,225	12,832	9,135	5.24
1969	116,108	12,307	9,434	5.49
1970	117,007	12,000	9,751	5.71
1971	118,566	11,839	10,015	5.87
1972	120,025	11,700	10,259	6.07
1973	115,491	11,413	10,119	7.14
1974	115,586	11,230	10,293	8.33
1975	115,398	11,139	10,360	8.75
1976	120,180	11,032	10,894	9.66
1977	122,654	10,945	11,206	9.71
1978	121,461	10,803	11,243	10.58
1979	123,350	10,734	11,492	12.03
1980	128,406	10,799	11,891	13.05
1981	132,770	10,898	12,183	13.76
1982	135,505	11,011	12,306	13.59
1983	139,672	11,098	12,585	13.57
1984	135,444	10,840	12,495	13.42

[1] Average price per 100 pounds recrived by farmers for milk sold to plants and dealers.

During 1976, 1980, and 1984 about half of total milk production was produced in the five leading dairy States (Wisconsin, California, New York, Minnesota, and Pennsylvania) while almost two-thirds of total milk production occurred in the 10 major dairy States (Table 3).

TABLE 3—LEADING STATES, MILK PRODUCTION, 1976 AND 1980

States	1976	Percent [1]	1980	Percent [1]	1984	Percent [1]
Wisconsin	20,296	17	22,380	17	23,501	17
California	11,583	10	13,527	11	15,278	11
New York	10,198	8	10,974	9	11,405	8
Minnesota	9,239	8	9,535	7	10,331	8
Pennsylvania	7,507	6	8,496	7	9,423	7
Michigan	4,620	4	4,970	4	5,350	4
Ohio	4,435	4	4,310	3	4,600	3
Iowa	3,954	3	3,994	3	3,805	3
Texas	3,309	3	3,625	3	3,805	3
Missouri	2,919	2				
Washington			2,942	2	3,464	3
Total 10 States	78,060	65	84,803	66	90,962	67
Total U.S.	120,180	100	128,406	100	135,444	100

[1] Of U.S. total.

Dairy manufacturing

The dairy industry is an important element in our total agricultural sector. Cash receipts from dairy products in 1983 were about $18.8 billion which equalled about a tenth of total farm cash receipts. Consumer expenditures for milk and dairy products accounted for annual sales of 45.8 billion in 1983. Today, dairy products make up about 12.5 percent of the total expenditures for all food.

The dairy manufacturing industry, like dairy farming, has undergone substantial structural change. In the past three decades, there has been a rapid decline in the number of plants producing every dairy product, except Italian cheese. In contrast to the general decline in the number of plants, output per plant has trended upward. For example, the average plant production of American cheese was about ½ million pounds in 1950 compared with 6.4 million pounds in 1983.

The trend has also been toward fewer and larger processing plants in the fluid market sector. The number of fluid milk plants declined from 6,726 in 1955 to 1,032 in 1981. Meanwhile, the average output per plant increased from 6.5 million pounds per year in 1955 to 51.8 million pounds in 1981 (product weight basis).

Supermarket chains have become increasingly important in the distribution of fluid milk. During the last two decades, a growing number of chainstores have started to process and package milk in their own plants. The number of plants operated by the integrated supermarkets increased over 70 percent from 1964 to 1980.

Regional dairy cooperatives have become increasingly important in the procurement, processing or manufacturing, and distribution of milk and dairy products. The consolidation and merger of cooperatives have enabled them to achieve more influence in the marketplace. Their role in procuring, assembling, and coordinating a fluctuating milk supply with a variable demand has increased. In addition, the regional cooperatives have consolidated facilities, especially cheese plants.

Consumption

Per capita civilian consumption of dairy products on a milk equivalent bass declined from 653 pounds in 1960 to 539 pounds in 1974 and then increased slightly to 548 pounds in 1979 (Table 4). Preliminary estimates for 1983 show a gain, but all of the increase was the result of additional donations. Shifts have occurred in per capita consumption among principal dairy products. Substantial decreases occurred in butter, cream, and plain whole milk between 1960 and 1980. During the same period, consumption of low fat milks and cheese increased substantially.

TABLE 4.—PER CAPITA CIVILIAN CONSUMPTION, 1960–80

Year	All dairy products [1]	Plain, whole milk	Lowfat milks [2]	Butter	Cream	Total cheese
1960	653	251	20.8	7.5	8.3	8.4
1961	641	243	22.3	7.4	8.1	8.6
1962	642	241	24.3	7.3	7.8	9.1
1963	632	240	26.8	6.9	7.5	9.2
1964	632	239	29.4	6.9	7.1	9.4
1965	620	237	31.7	6.4	6.9	9.5
1966	604	234	33.7	5.7	6.6	9.8
1967	581	224	37.6	5.5	6.1	10.1
1968	557	219	42.6	5.7	5.8	10.6
1969	569	212	47.9	5.4	5.5	10.9
1970	561	207	51.3	5.3	5.3	11.5
1971	556	200	56.5	5.1	5.3	12.1
1972	558	195	62.3	4.9	5.3	13.1
1973	551	187	67.7	4.8	5.4	13.6
1974	539	175	70.6	4.5	5.4	14.5
1975	540	173	78.1	4.7	5.5	14.4
1976	540	166	82.2	4.3	5.5	15.6
1977	542	157	87.1	4.3	5.5	16.1
1978	545	153	89.9	4.4	5.5	16.9
1979	548	147	92.5	4.5	5.6	17.2
1980	544	141	96.3	4.5	5.7	17.6
1981	542	135	98.4	4.3	5.8	18.4
1982	560	131	98.9	4.6	5.8	20.1
1983 [3]	576	130	101.0	5.1	5.9	20.6

[1] On a milk fat equivalent basis.
[2] Includes skim milk, buttermilk, flavored milk drinks, and yogurt.
[3] Preliminary.

Dairy Program Operation

Federal programs have been deeply imbedded in the economic fabric of the United States dairy industry for more than 40 years. During this time, the economic characteristics and performance of the industry have changed considerably. Although the basic structure of the Federal dairy program is largely unchanged, there have been modifications within Federal programs attempting to adapt to changes in the dairy economy.

There are four clearly interrelated Federal programs—

(1) the dairy price support program which explicitly puts a floor under the price of manufacturing grade milk and thus maintains a floor under all milk prices;

(2) the milk marketing order program which establishes minimum prices for fluid grade milk in most parts of the country;

(3) import controls which protect the price support program and keep the U.S. Government from supporting world milk prices; and

(4) Federal cooperative policy which encourages the development of farmer-owned cooperatives but provides they may not use their market power to raise prices excessively.

The thrust of these dairy programs has been to deal with the level of milk prices and with problems of instability in milk prices and dairy farm incomes.

Milk marketing orders

Government participation in milk pricing arrangements began in the early 1930's. In 1984, about two-thirds of all milk sold to plants and dealers and about four-fifths of the fluid grade deliveries in the United States, were regulated by Federal milk orders. Federal milk orders are part of a broad program of marketing agreements and orders authorized by the Agricultural Marketing Agreement Act of 1937. Under this authority, the Secretary of Agriculture is authorized to help stabilize market conditions by issuing Federal orders which apply to handlers of milk and its products. In its simplest terms, a milk marketing order is a legal instrument issued to provide the ground rules for transactions between farmers and buyers of grade A milk in a specified geographic area.

At the present time, there are 46 Federal milk orders in effect. California is one major area where no Federal milk order exists. The Federal order program has been in effect since 1938 and has experienced steady growth over the years. In 1984, about 92 billion pounds of milk were regulated under Federal orders compared with 19 billion pounds of milk in 1950. In addition, a number of States have laws authorizing regulation of milk prices to producers. Some States are authorized to regulate wholesale or retail prices. In total, more than 95 percent of the milk meeting sanitary standards for fluid use is priced under either Federal or State orders.

Price support

The dairy price support program supports the national average price received by farmers for manufacturing milk. Price support activity has been carried out under authority of the Agricultural Act of 1949, as amended, which required support of prices of milk to producers at a level which will assure an adequate supply. The price support program is administered by the Agricultural Stabilization and Conservation Service, United States Department of Agriculture.

In carrying out the program, the Commodity Credit Corporation (CCC) offers to buy butter, natural cheddar cheese, and nonfat dry milk at announced prices. The process is designed to result in U.S. average prices to producers at least equal to the announced support price.

Thus, when necessary, CCC removes milk from the market in the form of those dairy products which cannot be sold in commercial channels at prices corresponding to the support prices for manufacturing milk. These products are then either sold commercially at a later date or donated to schools and other specified institutions, or donated overseas.

For many years, the dairy price support program successfully fulfilled its goal of providing adequate supplies of wholesome and nutritious fluid milk and dairy products at reasonable prices to the consumer and at minimum cost to the taxpayer. However, recent years have seen milk production far outpace demand, leaving the Federal Government to purchase unacceptable and increasing amounts of surplus dairy products.

The cost of the price support program has grown from $250 million in 1979 to near $2.6 billion in 1983 (Table 5). Even with a program paying dairy farmers to reduce their production under the Dairy Production Stabilization Act of 1983, in effect for much of fiscal year 1984, program costs for that year still reached $1.6 billion.

TABLE 5.—MILK SUPPLY AND UTILIZATION, SELECTED YEARS

Year	Billion pounds milk equivalent								Number of milk cows (thousands)	Milk per cow (pounds)	Price received by farmers for all milk wholesale (hundred weight)	Gross cash receipt (million dollars)
	Supply				Utilization							
					Domestic							
	Production	Beginning stocks	Imports	Total	Food	Feed	Exports [1]	Ending stocks				
1965	124.2	5.3	0.9	130.4	121.4	2.1	2.4	4.5	14,953	8,305	$4.23	5.0
1970	117.0	[2] 5.2	1.9	124.1	115.6	1.7	1.0	5.8	12,000	9,751	5.71	6.5
1972	120.0	5.1	1.7	126.8	117.6	1.6	2.1	5.5	11,700	10,259	6.07	7.1
1976	120.2	3.8	1.9	125.9	117.6	1.6	1.0	5.7	11,032	10,894	9.66	11.4
1977	122.7	5.7	2.0	130.4	119.3	1.5	1.0	8.6	10,945	11,206	9.71	11.7
1978	121.5	8.6	2.3	132.4	121.2	1.5	1.0	8.7	10,803	11,243	10.58	12.7
1979	123.4	8.7	2.3	134.4	123.4	1.4	1.0	8.6	10,734	11,492	12.03	14.6
1980	128.4	8.6	2.1	139.1	123.7	1.4	1.0	13.0	10,799	11,891	13.05	16.6
1981	132.8	13.0	2.3	148.1	124.6	1.4	3.7	18.4	10,898	12,183	13.77	18.1
1982	135.5	18.4	2.5	156.6	130.2	1.5	4.6	20.1	11,011	12,306	13.59	18.2
1983	139.7	20.1	2.6	162.4	135.3	1.5	3.0	22.6	11,098	12,585	13.57	18.8
1984	135.4	22.6	2.7	170.7	147.6	2.8	3.6	16.7	10,840	12,495	13.42	17.7

[1] Includes shipments.

[2] Excludes cream and bulk condensed stocks beginning 1970.

Furthermore, despite the fact that this same program continued through half of fiscal year 1985, it is estimated that expenditures during fiscal year 1985 will exceed those of the previous fiscal year, potentially reaching $2 billion. These unprecedented expenditures have left the Federal Government owning a huge surplus of dairy products. As of September 13, 1985, the CCC owned 153 million pounds of butter, 662 million pounds of cheese, and 993 million pounds of nonfat dry milk for which there is little market.

The great expansion in production which precipitated the rise in program costs and corresponding growth of Government-owned surpluses was the result of a number of factors. In the Food and Agriculture Act of 1977, Congress, fearing projected milk shortages, decided to increase the price support level to 80 percent of parity, adjusted semiannually.

From 1978 through 1980, the unusually high support level was continually increased because of inflation. Specifically, from the beginning of fiscal year 1978, to the beginning of fiscal year 1981, the support price increased 40 percent. The distorted increases in the support price, along with low feed costs resulting in part from the grain embargo, reduced prices for beef, and depressed markets for other commodities, combined to encourage many dairy farmers to increase production, and to encourage some non-dairy farmers to take on milking cows.

In addition, over the past few decades, dairy cows have become increasingly more productive. Well established, and continually improving genetic procedures have increased the productive capacity of each dairy cow at an average rate of more than 2 percent per year over the last three decades. The Committee received testimony during hearings this year regarding some new technologies which may well bring about even more drastic increases in productivity in the next few years.

Coupled with this increase in productive capacity has been lagging per capita consumption. Thirty years ago, the average American consumed the equivalent of over 700 pounds or 326 quarts of milk a year in the forms of fluid milk and dairy products. Today, per capita consumption averages the equivalent of 520–530 pounds or 260–265 quarts of milk. Aggregate civilian disappearance has increased, however, due to population growth—from 107.4 billion to 134.2 billion pounds, milk equivalent, during the same period.

Over the past 20 years, there have been substantial decreases in the consumption of butter, cream, and plain whole milk. Consumption of lowfat milk and cheese, however, have increased significantly during the same period.

The lagging per capita consumption of milk can be attributed to a number of factors, including a decline in the percentage of the population in the peak milk drinking years of 6 to 18. Also, this same age group has been switching from milk to soft drinks. However, a contributing factor has been a guaranteed market for surplus milk at a high price support level. By guaranteeing a market for all milk production, the Federal Government reduces the incentive for the industry to market their product.

Competing beverages have heavily outspent milk in recent years, although fluid milk advertising, boosted partly by the new national dairy promotion program, appears to be gaining. According to figures compiled by the American Dairy Association (ADA), both branded and nonbranded milk advertising represented just $34 million of the estimated $1.876 billion in advertising for all beverages in 1983. Carbonated soft drinks alone made up some $360 million of the total. The ADA, however, recently estimated that fluid milk advertising might be about $48 million in 1985.

In face of the prospect of growing milk production and Government purchases, Congress took action in 1981 to adjust the price support level. In March of 1981, Congress passed S. 509 (Public Law 97-6) cancelling the scheduled April 1st increase in the support level. The issue, however, was more thoroughly addressed as part of the Agriculture and Food Act of 1981. As part of the 1981 Act, Congress decided to maintain the support level at $13.10 per hundredweight through fiscal year 1982, and increase the level to $13.25 for fiscal year 1983, $14.00 for 1984, and $14.60 for 1985. Under the provision, these levels would be increased if CCC purchases were estimated to drop below $1 billion for the upcoming fiscal year.

However, it soon became apparent that, even with these price support adjustments, CCC purchases would continue to increase. In February of 1982, production was up 2.3 percent, and purchases were up 7 percent from the year before. There were also nearly 150,000 more milking cows than the previous year.

Faced with ever increasing production and Government costs, Congress again addressed the surplus problem as part of the Omnibus Budget Reconciliation Act of 1982. With the intention of again addressing the issue before the end of the 97th Congress, the Senate voted to freeze the price support level at $13.10 per hundredweight. The House of Representatives took a different approach, approving a strict production control program similar to the Dairy Stabilization Program proposed by the National Milk Producers Federation.

The resultant conference produced the dairy assessment program. Under this program, the price support was kept at $13.10 per hundredweight. In addition, the Secretary of Agriculture was authorized to collect $1.00 from farmers for every hundredweight of production sold. The first half of this assessment, payable beginning in 1982, was nonrefundable, but the second 50 cents, payable beginning April 1, 1983, could be refunded to farmers if they could demonstrate that they had reduced output by slightly more than 10 percent of their previous 24 months' production.

Once again, it soon became apparent that additional changes would be needed to address the problems associated with the price support program. The first 50-cent assessment was put into place on December 1, 1982. It proved to be extremely unpopular with dairy farmers and was unsuccessful in bringing about reductions in milk production. In early January, several farmers and other interested parties successfully petitioned the courts to enjoin collection of the fee on the basis that the Department of Agriculture had failed to comply with Federal rulemaking requirements in issuing regulations to carry out the program. This and other court challenges succeeded in reducing the total collected by the Government.

In view of the failure of these previous actions, Congress decided to take a three-pronged approach in addressing the problems associated with the dairy price support program. In the Dairy and Tobacco Adjustment Act of 1983 Congress provided for price support reductions, a temporary, voluntary paid diversion program, and the establishment of a dairy products promotion order.

Since producers react in large part to price incentives, the legislation provided for a number of adjustments in the price support level. On the first day of the first month following the date of enactment, the legislation provided for a reduction of the price support by 50 cents per hundredweight to $12.60. The adjustment was made on December 1, 1983.

The legislation also called for an additional drop of 50 cents per hundredweight on April 1, 1985, if the Secretary estimated that for the following 12-months net Government purchases of surplus would exceed 6 billion pounds milk equivalent. The Secretary in fact made such an estimate, and the price was dropped to $12.10 per hundredweight as provided for in the Act.

Furthermore, the Act provided for a similar adjustment on July 1 of this year if the Secretary estimated that purchases over the following 12 month period would be in excess of 5 billion pounds milk equivalent. This adjustment was made as well, bringing the support price to $11.60 per hundredweight.

In order to address the lagging consumption of milk faced by the industry, the legislation included a national promotion program to be financed by deductions of 15 cents per hundredweight from all dairy farmers. A credit was provided for up to 10 cents for contributions to qualified States and local promotion programs.

Under the national promotion program, the dairy industry was provided the kind of resources it needed to compete in a very competitive marketplace. A National Dairy Board was established up to handle the national promotion program. It is comprised of 36 dairy farmer members appointed by the Secretary.

It is projected that annual contributions brought about by the 1983 legislation would amount to $197 million. Of this about $87 million would go to the national promotion board, with the remaining $110 million staying with the State and local promotion groups.

These kinds of resources have enabled the National Dairy Board to become the 43rd largest network television advertiser in America. They outrank such perennial advertising powers as American Express, Xerox, Stroh's, RCA and Goodyear. However, it will be some time before the actual results of these kinds of efforts can be measured.

The diversion program offered under the 1983 Act represented a major departure from traditional dairy policy. Under this program, producers who chose to reduce production from 5 to 30 percent below their base could receive a payment of $10 for every hundredweight of reduced milk production below their base.

To defray the costs of these payments, a 50 cents per hundredweight assessment on all milk marketed by all dairymen was continued. The 15 month program expired, as scheduled, on March 31, 1985.

According to USDA's Economic Research Service (ERS), nearly 38,000 producers signed contracts to reduce marketings below their base. They represented about 20 percent of all commercial dairy farmers.

For the entire length of the diversion period, January 1984 through March 1985, these producers contracted to reduce their output by about 9.4 billion pounds. About two-thirds of those who signed up for diversion payments agreed to reduce output by 26 to 30 percent; 11 percent of all participants agreed to between a 5 and 10 percent marketing reduction.

According to the ERS, participation varied greatly in the different sections of the country. Contracted rates were heaviest in the South, the Plains States, the Western Corn Belt, and some Mountain States. However, in the Nation's major dairying areas, the Pacific, Northeast, and Lake States, participation was relatively limited.

For example, as a percentage of 1983 production, diversions in Florida ran 15 percent; Georgia, 10.8 percent; Alabama, 11 percent; Missouri, 10.1 percent, and Kansas 11.2 percent. At the same time, diversions in Wisconsin ran only 3.4 percent of 1983 production, California, 4.8 percent, Minnesota, 5.7 percent and New York, 2.5 percent.

During the life of the diversion program, milk production, government purchases, and taxpayer cost for the program have all fallen. Last year, production fell by more than 3 percent, and government purchases fell by about 45 percent by value. The cost of these purchases fell by more than $1 billion.

However, it appears that the productive capacity of the nation's dairy herd failed to adjust during the diversion program in accordance with the demand for milk and dairy products.

There is reason to believe that participating dairy farmers used the program to cull their lowest producing cows and to rebuild their herds with genetically superior, higher producing cows. This is indicated by the record number of dairy replacement heifers that farmers held during the diversion program and continue to hold to add to their herds.

The number of milk cows did decline by 258,000 (2 percent) in 1984 from 1983 levels. However, while the lower performing animals were being culled, the inventory of dairy replacement heifers continued to grow.

The average number of replacement heifers per 100 milk cows on January 1, 1985 was 44.0 compared to 40.8 a year earlier. The January inventory was a record number of milk replacement heifers and a clear indication that farmers were planning to expand herds when the diversion program ended. The ratio of replacement heifers to milk cows in generally placed at about 35 replacements for each 100 milk cows in the herd.

Since January, there has been a steady buildup in both the number of dairy cows and the average production per cow, resulting in a significant increase in milk production. In July there were 11,070,000 milk cows on farms, 269,000 more than 6 months earlier, and only slightly less than the record 11,142,000 cows on farms just prior to the implementation of the diversion program. Also, on July 1, 1985 the number of replacement heifers was still at a near record 45.2 per 100 milk cows, indicating that the potential still exists for further expansion of the dairy herd.

Since the milk diversion program ended on March 31, milk production has gone up by 3 percent compared to a year ago; in May, production was up by almost 5 percent; up again by 6 percent in June; and in July by 8 percent compared to last year.

The diversion program has also brought disruptive effects to the industry, particularly in the Southeast. Due to the high participation rates in the region, plants found themselves short of a regional supply of fluid milk sufficient to meet customer demand, and had to ship milk in from other regions, often at high premiums. This occurred at the same time that surplus products were being purchased by the Government in other parts of the country.

While it is true that Government purchases of surplus products declined with the diversion program, this decline was influenced by other factors. Specifically, commercial dairy sales increased in fiscal year 1984 by almost 3 percent or 3.6 billion pounds, representing the first significant increase in sales in the past five years. The increase accounted for more than half of the drop in surplus dairy purchases during the last fiscal year.

The increase in sales can be attributed to a number of factors: the improvement of the economy, the additional funds being spent on promotion, and the fact that adjustments in the support level have made milk and dairy products a better bargain in the grocery store.

While, in the short run, diversion programs produce temporary production reductions, they maintain prices at artificial levels and inhibit further increases in consumption. Production control programs serve to delay inevitable adjustments in the industry made necessary by shifting demand, changing demographics, advances in efficiencies and productivity and other market forces.

PURPOSE AND NEED

Proposed program revisions

The dairy program established in the bill would allow production to adjust to market forces, but in such a way so as not to pull the rug out from under farmers. It would provide for the price to be adjusted in accordance with demand and would be predictable, long-term, and understandable, so that dairymen can better make production decisions.

Specifically, the bill would maintain the $11.60 milk support price level through calendar year 1986 in order to give dairymen time to adjust to the new program. On January 1, 1987, the price support level would be reduced by 50 cents if the Secretary estimated surplus removals for calendar year 1987 to exceed 5 billion pounds.

On January 1, 1988 and January 1, 1989, the price support level would be reduced $1.00 per hundredweight if the Secretary estimates surplus removals to exceed 10 billion pounds for the calendar year, or would be reduced $0.50 if the Secretary estimates surplus removals to be between 5 billion and 10 billion pounds for the calendar year. If the Secretary estimates surplus removals for the year to be between 2 billion and 5 billion pounds, no adjustment would be made. However, if the Secretary estimates surplus removals for the year to be less than 2 billion pounds, the Secretary could increase the support level by at least 50 cents. For each of these adjustments, the Secretary has the authority to alter the adjustment to reflect changes in a cost of production index established by the Secretary.

In proposing this legislation, the Committee seeks to address a number of problems which have plagued the dairy industry—and Federal programs serving the industry—for a number of years.

Over the past five years, there have been no less than five legislated changes in the support for milk. Included among these changes were two "temporary" or "transitional" programs.

This continuous Congressional tampering with the program has left farmers and others in the industry confused and uncertain about their future, and less able to make long term business decisions. Businessmen can be expected to anticipate changing market forces, but it is unfair to expect them to continually anticipate Congressional action.

In addition, this continual uncertainty has had disruptive effects on the industry. Some farmers who have anticipated that Congress would adopt production control programs have kept production high in order to build up their production bases. Furthermore, the possibility that Congress would implement a program restricting production and raising prices, has encouraged those who might have otherwise sought to enter other businesses to stay in dairying. These factors have helped contribute to the surplus problem under which all dairy producers are burdened.

The bill, however, aims to return predictability and simplicity to Federal dairy policy. It provides a schedule by which the Secretary would adjust support prices in accordance with projected Government purchases of surplus for the four years of the bill.

Farmers will know under this program that if surpluses persist, then the support price will fall by predictable amounts, and that if shortages are projected, then the support price would likely increase.

The bill also addresses the persistent problem of surplus supplies of dairy products. Producers react in large part to price incentives. This helps explain why production increased so dramatically with the steep price increases mandated under the 1977 farm bill.

The proposal adopted by the Committee would reduce the support price in a gradual fashion until production comes into line with demand. The effect of the reductions in the bill would likely be buffered as dairy farmers' costs of production fall due to productivity advances and lower feed prices.

The bill recognizes that the surest way to maintain the health of the dairy industry, and promote opportunity for dairy farmers everywhere is for the industry to sell more milk. If demand for milk fails to increase at the same rate as productivity per cow, the result would be that fewer cows—and farmers—would be needed to meet market needs.

The bill would promote the consumption of milk and dairy products, by allowing the support price to reflect market forces—including those forces which promise the costs of producing milk. Many studies have been conducted on the relationship between price and the consumption of milk and dairy products.

Most of these studies have shown that in the long run consumption of most fluid milk products and other dairy products is very responsive to price. For example, a recent study conducted by Purdue University found that the price elasticity of whole milk was −1.70, meaning that for every 10 percent decrease in the price of milk, consumption will increase by 17 percent.

On the other hand, to the extent the Federal Government artificially inflates the price of milk, consumption is unnecessarily discouraged. Users of milk and dairy products seek substitutes, and the industry is provided a disincentive to finding new uses for milk and dairy products. For example, maintaining the price support at artificial levels has helped bring about the development and successful commercial introduction of imitation cheese products.

Recent experience indicates how consumption of milk and dairy products is related to price. After four years of relatively stable real milk prices, the industry is now experiencing the first significant increase in commercial dairy product sales in recent years.

From the period 1981 through 1983, milk price support was held at $13.10 per hundredweight, and commercial sales increased on average by only about 1 percent per year. In 1984, milk price support was reduced by 50 cents per hundredweight, and dairy product sales increased by 4.2 billion pounds, which represented a 3.4 percent increase above the level for the previous year and the largest year to year increase in sales since 1972. The 4.2 billion pound increase in commercial sales in 1984 accounted for more than 50 percent of the 8.2 billion pound drop in CCC purchases last year.

Preliminary data from the Department of Agriculture indicates that commercial sales of dairy products in the first quarter of 1985 were up by almost 2 percent compared to a year earlier. According to the Department's July Dairy Outlook and Situation report, commercial use during the remainder of 1985 is likely to be at an average level above the level set the previous year. This reflects lower real prices for dairy products brought about by additional reduction in the support level this year, as well as an increase in the population, higher per capita income, and increased dairy production promotion.

If Congress continues to adjust the support price toward market clearing levels—as proposed in the bill, there is every reason to believe that this trend toward increasing consumption will continue. An analysis recently completed by Cornell University estimates that commercial dairy product sales will grow twice as fast by adjusting the support level based upon CCC purchases of surpluses than by setting the price in accordance with a cost of production index, and paying farmers not to produce.

According to this analysis, commercial sales would increase by 9 billion pounds (7 percent) between 1985 and 1989 if the milk price support were lowered to market clearing levels.

Other dairy program revisions

The Committee extended seasonal base and "Louisville" plans as provisions of Federal milk marketing orders. The seasonal and Louisville plans are designed to encourage dairy farmers to pattern their milk production to more nearly match the needs of the market. Milk production during the spring and reduced output during the fall and early winter. Milk consumption on the other hand, is relatively stable throughout the year.

The effect of the two plans is to provide increased returns for those producers who tailor their production to maintain a more uniform level of milk producing year around. Neither plan limits in any manner the amount of milk an individual farmer may produce or market.

The Committee also extended authority for the Secretary to transfer dairy products to the military and veterans' hospitals. Under this authority, used since the 1950's, the CCC is authorized to provide additional quantities of dairy products from available stocks of products held by CCC for use in the feeding programs of these institutions.

In addition, the bill requires a study of Class I differentials to be completed by the Secretary of Agriculture within 1 year, maintains current authority for the Secretary to provide indemnity payments to qualified milk producers and maintains that the legal status of producer-handlers of milk is not changed by reason of amendments made by the bill relating to Federal milk marketing orders. In providing for and maintaining this continued exemption, it is hoped that the Secretary would do so without burdensome or oppressive conditions.

Title III—Wool and Mohair

BACKGROUND

Annual U.S. wool production is equivalent to only about one-tenth of 1 percent of the value of principal crops produced in the United States, and sheep marketings are about the same fraction of the value of total livestock marketings. Sheep and wool are produced in all States, but significant output is confined to two regions—the territory wool States and the fleece wool States.

About 75 percent of the sheep are in Texas, South Dakota, the Rocky Mountains, and the Pacific Coast States. Wool from these areas is called "territory" wool. These finer grades are used to make better quality apparel. Most other sheep are in Virginia, West Virginia, Pennsylvania, States north of the Ohio River, and the Great Plains area. Wool from these areas, known as "fleece" wool, are medium grades used to make such items as coats, blankets and sweaters.

Wool production

The U.S. sheep inventory declined from a record high 56 million head in 1942 to a record low 11.4 million in 1983. The drop resulted from declining wool demand by the U.S. textile industry as man-made fibers became pervasive and from reduced consumption of lamb and mutton. Since 1970, the number of sheep and lambs has been cut nearly in half, average flock size has fallen, and there are 30 percent fewer operators with sheep (Table 1).

TABLE 1.—NUMBERS OF SHEEP AND OPERATORS

Year	Sheep and lambs on January 1 (million head)	Operations with sheep (thousand)	Average flock size (head per operator)
1970	20.4	179.6	114
1975	14.5	129.6	112
1980	12.7	119.9	106
1981	12.9	125.6	103
1982	13.0	128.1	101
1983	12.0	126.5	95
1984	11.4	([1])	([1])

[1] Not available.

Most of the revenue from raising sheep comes from the sale of meat. Only about 20 to 30 percent of an average sheep operations' cash receipts come from wool. Consequently, changes in wool prices have only a small effect on the number of sheep and the level of wool production.

The failure of lamb and mutton to become a more regular part of the U.S. consumers' diet is a critical factor in the drop in sheep numbers. In 1970, lamb and mutton accounted for 2.9 pounds out of the 200 pounds of meat consumed per person. In 1983, lamb and mutton were down to 1.5 pounds out of the total of 210 pounds consumed.

The long downward trend in sheep numbers was interrupted in late 1970's. The reduction in livestock numbers during 1974–75 caused by rising grain prices and economic recession led to higher meat prices and herd rebuilding in the later 1970's. Lamb prices rose 40 percent and wool prices rose 30 percent between 1976 and 1979. However, steep drops in lamb prices beginning in 1981 and in wool beginning in 1982 halted the recovery in sheep numbers.

Wool production has followed the decline in sheep numbers, with the production drop exacerbated slightly by a drop in productivity (Table 2). Shorn wool production in 1983 was about 100 million pounds, less than a third of the record 388 million set in 1942.

TABLE 2—SHEEP SHORN AND WOOL PRODUCTION

Year	Sheep shorn (million head)	Shorn wool production (million pounds, greasy [1])	Average fleece weight (pounds)
1970	19.2	161.6	8.43
1975	14.4	119.5	8.30
1980	13.6	105.4	7.95
1981	13.5	109.7	8.14
1982	13.2	105.6	8.03
1983	12.6	100.3	7.93

[1] Grease basis is wool directly from the sheep. It has not been cleaned and scoured.

U.S. average fleece weights of about 8 pounds are low relative to the yields in the world's two largest wool producing countries, Australia and New Zealand, which average about 11.5 pounds. Fleece weights in the USSR, the third largest producer, have averaged 7.3 pounds in recent years.

Today, shorn wool accounts for essentially all of U.S. wool production, but that has not always been the case. In the 1940's and 1950's, 10–15 percent of total production was "pulled" wool, wool pulled from the pelts of slaughtered lambs. By 1983, pulled wool production was estimated at only 1 million pounds. The drop reflects the growing demand for the pelts with the wool intact. These skeepskins are used for everything from coat liners to automobile seat covers.

The size of sheep herds varies greatly. The 1978 Census of Agriculture indicates that only 2 percent of farms and ranches with sheep had a herd size of over 1,000 or more. At the other end of the scale, 87 percent of farms and ranches with sheeps had between 1 and 99 head. Twenty-one percent of ewes a year old or older were in such flocks.

There is a sharp contrast in the size of sheep operations between the territory and fleece wool States (Table 3). The typical flock size in the Western States ranges from 150 to 400 sheep, with some operations having several thousand sheep. Flock management is often the sole or primary responsibility of the operator as indicated in 1980 data which show 65 percent of operators' income came from sheep, 24 percent from beef cattle, and 11 percent from other livestocks and crops.

TABLE 3—AVERAGE FLOCK SIZE, 1983

Territory wool States		Fleece wool States	
Arizona	877	North Dakota	106
Wyoming	768	Kansas	78
New Mexico	375	Nebraska	57
Nevada	355	Oklahoma	48
Colorado	343	Ohio	36
Texas	233	Michigan	36
Utah	223	Iowa	34
Montana	198	Minnesota	33
California	159	Missouri	33
Idaho	156	West Virginia	29
South Dakota	136	Virginia	28
Oregon	84	Wisconsin	24
Washington	32	Indiana	21
		Pennsylvania	21
Region average	206	Illinois	20
		Region average	36

The typical flock size in the fleece area is 20 to 40 sheep and is often only a small part of the farming operation, along with cattle and hog raising and crop production.

Along with the decline in sheep numbers and average flock size over the years, there has been a shift in the distribution of sheep numbers toward the territory States. In the early 1950's, 65–70 percent of all sheep were in the territory States; in recent years, this figure has risen to 75–80 percent.

Although weak demand for lamb and mutton and the adoption of manmade fibers have been the principal reasons for declining production, some wool production characteristics have also contributed to the decline. Profitability has been hurt by predator losses, high hired labor costs, and labor shortages.

Labor is costly and hard to find because sheepherding is a demanding job. In the Rocky Mountain area—where sheep flocks are large—flocks are moved to high altitude, unfenced grasslands in the summer. In winter, the sheep are brought down to lower level fenced pastures.

To accomplish these seasonal moves and to care for the flock requires the constant presence of a sheepherder and often the assistance of two or three dogs. Sheep are small and very passive, thus they are subject to attacks by coyotes and eagles. Also, sheep experience hoof and skin problems. The level of care and protection required by sheep and death loss have been factors in the drop in U.S. wool production.

The sheep and lamb inventory on January 1, 1984, was 11.4 million head, 5 percent below a year earlier, and the lowest on record. Consequently, 1984 wool production will drop again. Part of the inventory decline resulted from the drought in Texas during 1983 as that State's inventory fell 12 percent.

The world wool market

U.S. demand, supply, and policy changes do not significantly affect world markets for wool, since the U.S. wool industry is small. Australia is the dominant producer and exporter (Table 4). In 1983, U.S. sheep numbers and wool production accounted for only 1.1 percent and 1.6 percent of the respective world totals.

TABLE 4—WORLD, TOP THREE COUNTRIES, AND THE UNITED STATES: SHEEP, WOOL PRODUCTION, AND WOOL TRADE

Item	1980	1981	1982	1983
Million:				
Sheep numbers [1]	1,059	1,068	1,088	1,085
Australia	136	134	137	133
U.S.S.R.	144	142	142	142
New Zealand	69	70	70	70
United States	13	13	13	12
Million pounds, greasy:				
Wool production	6,177	6,299	6,373	6,391
Australia	1,563	1,543	1,581	1,546
U.S.S.R.	1,054	1,023	[illegible]63	1,045
New Zealand	787	840	800	818
United States	106	111	107	101
Wool exports	2,642	2,730	2,582	([2])
Australia	1,250	1,324	1,238	1,196
New Zealand	629	618	628	710
Argentina	177	222	177	144
United States	1	1	3	2
Wool imports [3]	2,495	2,505	2,446	([2])
Japan	387	369	395	([2])
U.S.S.R.[4]	274	278	289	([2])
France	258	274	246	([2])
United States	73	96	80	100

[1] China is third in number of sheep, but is not listed because production and trade are small relative to sheep inventory.

[2] Not available.

[3] Retained imports; excludes imports for scouring and re-export; gross imports for USSR.

[4] Clean.

World wool production declined in the early 1970's, then grew 13 percent between 1972 and 1980, and has been near 1981's 6.3 billion pounds, greasy, since then. For countries with market-oriented economies, production dropped 7 percent between 1968–72 and 1982. Australia, Argentina, and South Africa had general declines in production, while New Zealand increased production.

The centrally planned countries increased output over the same period by 25 percent, and, by 1983, accounted for more than a fourth of world production. Virtually all of the production growth has come in the Soviet Union and China—countries which export very little raw wool but are major importers.

The Soviet Union is the largest consumer of wool, accounting for about a fifth of world mill use of wool during 1982. China was second with about a tenth of world use. Soviet use has been growing slowly in recent years, but Chinese use more than doubled between 1978 and 1982.

While part of this tremendous growth reflects increased domestic needs, China's emphasis on textile exports is the major factor. The European Community (EC) and Japan accounted for 35 percent of world wool use in 1982, down slightly from recent years, mainly reflecting 1982's recession.

World raw wool exports have declined as a share of production, from 3.2 billion pounds in 1966—about 50 percent of world production—to 2.6 billion by 1982—about 40 percent. The drop reflects greater trade in processed wool and textile products; increasing wool production in importing countries, such as the Soviet Union and China and falling consumption in the industrialized wool-importing countries, such as the EC and Japan.

The share of world imports claimed by the major industrial countries—the United States, the EC, and Japan—has declined from a combined total of 82 percent in 1966 to 57 percent in 1982 (Table 5). The growth markets for raw wool have been the Soviet Union and the East Asian textile exporters—Taiwan, South Korea, Hong Kong, and China.

TABLE 5.—WORLD RAW WOOL IMPORTS AND IMPORT MARKET SHARES

Year	World imports (million pounds)	Import share (percent)				
		United States	EC-9 [1]	Japan	U.S.S.R.	East Asian textile exporters [2]
1966	3.23	11.7	50.9	19.6	4.2	1.0
1971	3.04	5.3	47.1	22.3	6.2	1.9
1976	2.90	2.6	47.2	20.5	8.3	3.4
1981	2.54	3.8	41.8	14.7	11.1	9.3
1982	2.44	3.3	37.0	16.2	11.8	11.6

[1] Excludes Greece, admitted as tenth member in 1981.

[2] Hong Kong, South Korea, Taiwan, and China.

Since 1966 the Soviet import share nearly tripled, while the East Asian share expanded nearly twelvefold. Wool imports in the Soviet Union are destined exclusively for domestic textile consumption, while a large portion of East Asian imports are re-exported as textiles. Wool imports have an uncertain future in both markets as the Soviet Union has the potential to become more self-sufficient, and East Asian importers are rapidly increasing their manmade fiber production capacity.

World raw wool exports primarily originate in southern hemisphere countries, destined for the industrialized countries of the northern hemisphere. Four countries—Australia, New Zealand, Argentina, and South Africa—account for 80 percent of world raw wool exports. Market shares have been relatively stable over the past 15 years, with Australia exporting 45 to 50 percent of world exports followed by New Zealand (19 to 23 percent), Argentina (6 to 8 percent), and South Africa (4 to 7 percent).

Structure of the mohair industry

Mohair is the fleece of the Angora goat. Virtually all of the Angora goats in the United States are raised in Texas, mainly in the Edwards Plateau region in the southwestern part of the State. Texas is especially suited for mohair production, because it has the native shrubbery and plants and a warm, dry climate which Angora goats favor.

In 1978, the last year State inventory and sales data were available, Texas accounted for 88 percent of U.S. Angora goats and 92 percent of mohair production. Arizona and New Mexico were a distant second and third, respectively, in both categories.

Mohair production

The number of Angora goats clipped in Texas exceeded 4 million during World War II, but dropped sharply to a low of 2.1 million in the early 1950's. Economic growth spurred total fiber use during the late 1950's and 1960's and mohair use benefited, pushing the number of goats clipped to a peak of 4.6 million in 1965.

Rapid adoption of manmade fibers caused steady declines until the late 1970's. The number clipped about stabilized between 1977 and 1983 (Table 6). On January 1, 1984, the total Texas goat inventory was 1.45 million head, 2 percent above a year earlier.

TABLE 6.—THE U.S. MOHAIR MARKET

Item	1980	1981	1982	1983
Goats clipped (millions)	1.24	1.30	1.33	1.36
Yield (pounds per head, grease)	7.1	7.6	7.5	7.8
Million pounds, clean: [3]				
Beginning stocks (Jan. 1)	1.72	1.88	2.29	1.42
Production	7.04	7.92	7.60	8.06
Imports	.45	.23	.02	.04
Supply [1]	8.80	10.22	9.77	10.50
Domestic use [2]	.70	.80	.60	.70
Exports	6.22	7.12	7.74	9.65
Total use	6.92	7.92	8.34	10.35
Carryover stocks	1.88	2.29	1.42	.15
Dollars per pound:				
Average producer price	3.50	3.50	2.55	4.05
Support price	2.90	3.72	3.98	4.63

[1] Includes unaccounted.

[2] Estimated actual mill use provided by industry sources; not computed as a residual as in appendix table 4.

[3] Clean basis is 80 percent of grease basis before 1982 and 76 percent thereafter.

The 1978 Census of Agriculture provides data on the average size of a goat-producing operation. There were 1,865 farms with a total of 920,800 Angora goats, or 494 head per farm. Texas had 77 percent of the farms with an average of 558 goats per farm.

The trend in mohair production has reflected the trend in the number of goats clipped, dropping sharply since 1965. However, the production per goat clipped has increased steadily since World War II. Goats are clipped once or twice a year, and the average weight of fleece clipped has grown from 4.9 pounds per goat during the 1940's to a record 7.8 pounds in 1983.

The world mohair market

The major mohair-producing countries are South Africa, the United States, and Turkey, with smaller quantities produced in Argentina, Lesotho, Australia, and a few other countries where it is mainly used for handweaving (Table 7).

TABLE 7.—WORLD MOHAIR PRODUCTION

[In million pounds, greasy]

Country	1980	1981	1982	1983[1]
United States	8.8	9.9	10.0	10.6
South Africa	13.4	15.2	16.8	16.4
Turkey	13.0	13.4	12.4	11.5
Argentina	2.5	2.7	3.0	3.0
Lesotho	1.3	1.3	1.3	1.1
Total	39.0	42.5	43.5	42.6

[1] Estimated

South African production—about 40 percent of world production—declined in the mid-1960's, but has trended up during the 1970's and 1980's. South Africa produces a premium mohair and has the world's highest yields. Production is marketed through the South African Mohair Board.

Turkey—with about a quarter of world production—saw mohair production rise in the late 1970's and then fall in the early 1980's. Turkish yields are about half of U.S. yields as a result of crossbreeding and only one shearing per year. The Turkish Government operates cooperatives that purchase mohair from the producer, which allows the Government to provide a minimum price floor.

Argentine production has been rising in recent years. Poor climate and grazing conditions have limited output in Lesotho.

The major producers—South Africa, the United States, and Turkey—are also the major exporters of raw mohair. Although there has been an increase in exports of processed mohair, such as top (a continuous, untwisted strand of scoured mohair fibers from which shorter fibers have been removed) and yarn, most of the world's raw production is exported.

The United States accounts for about a quarter of the exports of the major traders (Table 8). U.S. exports in 1983 soared to the highest level since 1972 because of reduced production in South Africa and a likely drop in its exports.

TABLE 8.—WORLD MOHAIR EXPORTS

[In million pounds, greasy]

Country	1980	1981	1982	1983 [1]
United States	6.2	7.1	7.7	9.7
South Africa [2]	10.9	15.1	20.7	NA
Turkey	2.3	6.3	8.1	10.2
Total	19.4	28.5	36.5	NA

NA = Not available [1] Estimated. [2] Includes Lesotho.

Virtually all of the U.S. exports are to Europe, with much going to the United Kingdom, the world's major importer of raw mohair. The main processing center is in Bradford, England, where raw mohair is turned into top and yarn, of which a sizable portion is reexported. South Africa is the major U.S. competitor in the U.K. market.

Future growth in U.S. mohair output will depend on the export market which is in developed countries. Their economic growth will improve in the 1980's and could help U.S. exports. However, mohair's high and volatile price will tend to keep it a specialty fiber for only high-priced, better-quality applications. Continued competition from other natural fibers, manmade fibers, and South African and Turkish mohair will likely prevent U.S. mohair exports from gaining significantly, thus limiting incentives for increasing U.S. goat numbers.

PURPOSE AND NEED

The current Wool and Mohair Program was established under the National Wool Act of 1954 to encourage the production of wool in sufficient quantities and grades to meet domestic demand. To accomplish these goals, an incentive payment is offered under the programs to wool growers. Payments are based on the percentage needed to bring the average return received by producers up to the support level.

For the first 10 years of the program, the support price was set by the Secretary of Agriculture at 62 cents a pound for shorn wool. The Food and Agriculture Act of 1965 introduced a formula for determining the support prices. The formula adjusted the 62 cent price by the percentage change in the index of prices paid by all farmers for production inputs during the 3 most recent years, compared with the index during 3 base years, 1958, 1959, and 1960.

The use of the formula resulted in a slow rise in the support price during the late 1960's. By 1972, it was 72 cents a pound. With the gap between the higher support price and the lower market price widening each year, use of the formula was abandoned and the support price was set at 72 cents a pound for shorn wool and 80.2 cents for mohair from 1970 through 1977. Since 1977, the support price has been set as a percentage of the original formula: 85 percent for 1977 through 1981 and 77.5 percent for 1981 through 1985.

Using this formula, there has been a dramatic increase in the support price during the past few years while the market price for wool has remained relatively stable. The support level has risen to the point where the 1984 support price of $1.65 was more than twice as large as the average price of 80 cents. The support level is $1.73, while the average market price is estimated to be 75 cents.

The disparity in prices has, in turn, brought about a significant increase in the cost of the program to the taxpayer. From 1980 to 1984, program costs rose 351 percent, from $37.5 million to $131.9 million.

In part, the large cost of this program can be traced to the fact that unlike other program payments, wool program payments are not subject to a payment limitation. With no payment limitation, some wool producers are receiving large payments. In 1983, payments of more than $50,000 went to 323 people, accounting for more than 24 percent of total program costs. In addition, 65 people received more than $100,000 and one actually received a government check for more than $560,000.

The following Table 9 provided by the Department of Agriculture documents these payments:

TABLE 9.—U.S. DEPARTMENT OF AGRICULTURE, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, FREQUENCY DISTRIBUTION OF PRODUCER PAYMENTS FOR CALENDAR YEAR 1983

[National Wool Act Program, United States]

Range of total payment [1]	Number of payees (1)	Percent distribution (2)	Total amount (3)	Percent distribution (4)
$1.00	35,898	37.35	$1,678,018	1.43
$100.00	17,785	18.51	2,562,460	2.18
$200.00	19,397	20.18	6,142,183	5.22
$500.00	5,057	5.26	2,989,216	2.54
$700.00	4,255	4.43	3,570,785	3.04
$1,000.00	5,812	6.05	8,155,189	6.94
$2,000.00	2,128	2.21	5,185,727	4.41
$3,000.00	1.196	1.24	4,133,177	3.52
$4,000.00	762	0.79	3,413,276	2.90
$5,000.00	1,045	1.09	6,324,588	5.38
$7,500.00	559	0.58	4,834,935	4.11
$10,000.00	688	0.72	8,440,093	7.18
$15,000.00	399	0.42	6,877,591	5.85
$20,000	272	0.28	6,056,896	5.15
$25,000.00	152	0.16	4,151,394	3.53
$30,000.00	118	0.12	3,824,175	3.25
$35,000.00	112	0.12	4,189,844	3.56
$40,000.00	79	0.08	3,351,379	2.85
$45,000.00	71	0.07	3,379,999	2.87
$50,000.00	56	0.06	2,939,434	2.50
$55,000.00				
$55,000.01	202	0.21	14,397,425	12.24
$100,000.00	52	0.05	7,390,138	6.29
$200,000.00	12	0.01	3,026,116	2.57
$500,000.00	1	0.01	563,970	0.49
$1,000,000.00 and over	([2])	([2])	([2])	([2])
Total	96,108	100.0	117,578,008	100.00

[1] Frequency range, starting with ranges $1, is from amount shown to $0.01 less than the next higher frequency amount.
[2] 0.005 percent or less.

Even with these payments, and increasing program costs, wool production has continued its decline from about 265 million pounds in 1970 to 155 million pounds in 1983. According to USDA, the wool program was successful in only raising production by 18 percent during the period of 1977-83 above what production would have been without a wool program.

However, this has been estimated to translate into a $3.19 per pound cost for the additional wool. Over the same period, the market price averaged 78 cents. A similar cost analysis by the GAO estimated that in 1980, the additional wool production generated by the program costs the Federal Government between $2.63 and $6.01 per pound when the market price averaged 88 cents.

Recognizing the continuing decline in domestic production of wool, the Committee decided not to change the way the support price is determined. The bill extends the current price support program for wool and mohair through 1989. The bill does seek to better target this program's benefits to the family farm. Specifically, the bill would set the same payment limitation for wool as is set for all other payment programs—$50,000. This would affect approximately only 300 out of the 96,000 Americans who receive wool payments.

TITLES IV, V, VI, AND VII—WHEAT, FEED GRAINS, UPLAND COTTON, AND RICE

FARM PROGRAM COMPONENTS

Nonrecourse commodity loans

One of the central features of agricultural programs from their inception in the 1930's is nonrecourse commodity loans.

The original purpose of these loans was to provide a mechanism whereby farmers could obtain financing, using harvested commodities as collateral. The cash obtained from these loans allows producers who participate in Government programs to pay other obligations and store their commodities for sale later in the year when prices are generally more favorable.

The unique "nonrecourse" nature of the commodity loan program also provides a "floor" below which prices will not fall for any length of time. This price protection is possible because the Government has no recourse but to accept payment of the loan in full through forfeiture of commodities used as collateral.

Therefore, if market prices fall below the loan level, participating producers simply forfeit commodities to the Government as full payment. The Government then becomes the guaranteed buyer of these commodities for which the market price would otherwise be below the loan rate. As a guaranteed buyer of commodities at prices established by the loan rate, the Government then provides a price floor for those commodities.

The relationship between market prices and loan rates is critical in determining the commercial demand for commodities.

As a general rule, loan rates established above market prices reduce commercial sales of that commodity and increase Government acquisitions. Conversely, if loan rates are set below market prices, and market prices are not artificially increased by production control programs, Government acquisitions are low and commercial sales are high for the given commodity.

From the time nonrecourse loans were established in the 1930's until the outbreak of World War II, loan levels were established above market clearing levels. Supply control and export subsidy programs were used to control surplus production until demand accelerated with global conflict in the early 1940's.

With the cessation of conflict in 1946, surplus production capacity and high parity based price supports led to adoption of the Agricultural Act of 1948. This act contained a delayed implementation of lower and more flexible price supports. However, the Agricultural Act of 1949 and outbreak of the Korean War in 1950 further delayed implementation of lower and more flexible price supports.

In 1954, after surpluses had risen to high levels, lower price supports were approved in the Agricultural Act of 1954. Congress also moved to dispose of accumulated surpluses through enactment of the Agricultural Trade Development and Assistance Act (the Food for Peace Program) in 1954.

The Eisenhower Administration also moved to isolate significant quantities of commodities from the market for use in export, donations, disaster relief, and other purposes.

Nevertheless, production continued to grow and larger acreage reduction programs in the form of the Soil Bank were implemented.

By 1960, the high, fixed price supports of the 1940's and early 1950's had given way to flexible and generally lower levels of support for the basic crops. Lower supports and a steady increase in exports through the 1960's and 1970's virtually eliminated surplus production.

Loan rates for most basic commodities started an upward trend in 1977 and were increased in response to the Soviet grain embargo of 1980. Only isolated use of secretarial authority to reduce loan rates in special circumstances has dampened this upward trend.

Nonrecourse commodity loan levels have been set in various ways for the different commodities over the years. Parity formulas, costs of production, congressional mandates, and more recently, market price formulas have been used to set commodity loan levels. A general consensus has developed whereby it is believed that a market based formula provides the best mechanism for setting loan rates.

If set at appropriate levels, market based formulas can provide loan rates that reflect market conditions, allow commodities to be sold commercially, and provide a marketing tool and emergency price floor for producers.

Production controls

Production controls are also a key farm policy tool carried over from the orginial farm legislation of the 1930's.

Production controls are used to reduce the output of commodities and increase prices. Production controls have taken the form of acreage allotments, production quotas, acreage set-asides, and acreage limitations.

Typically, producers are required to participate in production control programs in order to be eligible for other program benefits such as commodity loans and target price deficiency payments.

Since the 1960's, production controls for wheat, feed grains, cotton, and rice have been voluntary. However, past programs involving acreage allotments, production quotas, and marketing certificates with penalties for noncompliance have been mandatory for all producers after being approved by referenda.

Production controls are controversial because of the economic penalty they impose on producers and because of their impact on market prices.

Mandatory production controls are the most effective means of reducing production and increasing commodity prices. However, they do not allow producers freedom to operate in the most economical way on an individual basis. The last mandatory program in effect for wheat, feed grain, cotton or rice producers was voted out in 1963.

Voluntary programs are criticized because they do not seem to be very effective in controlling production or increasing prices. There is substantial "slippage" in voluntary programs, meaning that for every acre taken out of production, less than one acre's worth of production reduction is actually achieved. It is estimated that program slippage could be as high as 50 percent for wheat, with somewhat lower slippage for feed grains, cotton, and rice.

This slippage is possible because farmers remove from production their least productive acres and are allowed to increase production on remaining acres.

Besides producer concern about the equity and effectiveness of production control programs, there is concern about their effect on markets.

The United States is the only major exporting country that uses production controls to influence supply and demand for agricultural commodities. In the past the United States could use production controls to reduce supplies on the market and increase prices without serious impact on sales. Commodities displayed an "inelastic" relationship between supply and price. This meant that demand stayed relatively constant regardless of price.

Today with more countries capable of supplying the demand and buyers more concerned about price, agricultural commodities are more "elastic" in the relationship between supply and price. This means that as prices go up, demand goes down or shifts to a lower priced supplier.

The largest production control program ever conducted was carried out in 1983. The payment-in-kind (PIK) program took 81 million acres out of production in that year.

Results of the PIK program show the mixed and sometimes harmful effects of production control programs. While the U.S. reduced production by 81 million acres, foreign producers increased production by 63 million acres. Wheat production was only slightly reduced because of good weather and high yields. On the other hand, feed grain and cotton production was drastically reduced because of drought. Unexpected price increases for feed grains because of a combination of reduced acreage and drought wrought havoc with the domestic livestock industry.

Also, the large amount of acreage out of production reduced the demand for inputs and services.

Given the circumstances of large carryovers and a shortage of storage space for the 1983 crops, such a program was justified as a short run emergency measure, but the consequences of a long-run production control program are evident in some of the results of the 1983 PIK program.

Target prices and deficiency payments

Target prices and deficiency payments are a relatively new tool of agricultural policy.

Deficiency payments and target prices were instituted as a means of direct producer compensation for lower commodity loan rates adopted in the 1960's and early 1970's. Deficiency payments that result from the target price mechanism are income transfers to farmers as opposed to price supports for commodities provided through commodity loans.

The minimum target price is established by Congress above the loan rate. When market prices fall below the target price, a direct cash payment to producers who are enrolled in government programs is triggered based on the difference between the market price and the target price. If the market price should fall below the loan rate, the participating producer receives the full difference between the loan rate and target price.

In the past target prices have been set in relationship to "costs of production" and by Congressional mandate.

Cost of production based target prices were abandoned because of the difficulty in defining true costs of production across diverse geographical areas.

Congressionally mandated target prices have also encountered opposition because they do not provide enough flexibility for changing conditions such as those encountered from the 1970's to the 1980's.

Income protection and risk avoidance provided by target prices and loan rates have provided inducements for added production. Acreage control programs designed to provide equity and flexibility among producers have, in many cases, been used to increase the basis upon which deficiency payments are made. The methods for increasing production to receive greater amounts of deficiency payments include intensive farming of acres eligible for planting to increase yield, and increasing planted acres on farms not included in the farm program one year and then including such farms in the program in subsequent years.

BACKGROUND

Wheat production

Wheat is the third leading field crop produced in the United States in terms of value of production. Only corn and soybeans are more important. In 1981, the most recent year in which acreage reduction programs were not in effect, the farm value of wheat production was $10.2 billion, over 12 percent of the total value of principal crops grown in the United States. Wheat is important in U.S. trade; in fiscal 1984, the value of wheat and flour exports was over $6.5 billion, more than one-sixth of the total value of U.S. agricultural exports.

Wheat is grown over a wide geographical area and under a variety of weather and soil conditions. The success of wheat production in the United States is, in part, a tribute to the adaptability of the wheat plant. In addition to being grown throughout the country, wheat has two distinct growing seasons. Winter wheat, sown in the fall, normally accounts for 70 to 80 percent of total production. Spring-sown wheat accounts for the remainder.

Because wheat production is less concentrated than other major crops, such as corn or cotton, the national average yield for all wheat varies less from year to year. During 1970–82, the average variability in wheat yields was 5 percent; for corn it was 12 percent, and for cotton, 14 percent. This means that, compared with other crops, weather is less likely to come to the rescue in times of surplus or shortage.

In contrast to total wheat, production by wheat class is highly concentrated, except for soft red winter. So, even when total wheat supplies are excessive, the supply of a particular class may be tight and vice versa.

The increase in wheat production through the mid-1970's came mostly from larger yields per acre. While harvested area in 1975 was just 10 percent above 1930, the average yield more than doubled. In more recent years, the growth in wheat production has come from significant gains in both area and yield. On average, production from the 1981–82 harvests exceeded that from 1975–76 by 30 percent; yields rose by 15 percent and harvested area by 14 percent.

While it is difficult to sort out all the factors that affect yield—weather, management practices, variety, total acreage level, and regional distribution of acreage—it is obvious that big strides have been made in plant breeding. The potential for larger and more rapid improvements in yields appears greater now than at any time before. Average yields of 60, 70, and 80 bushels per acre are achieved in some States, which shows the genetic potential in the wheat plant.

Yields in the United States and average yields in foreign countries were virtually the same in 1930. The United States slowly pulled away until 1970. Then, between 1970 and 1980, foreign producers narrowed the gap. This narrowing is the result of the green revolution that started in the late 1960's. So far in the 1980's, it appears that the yield situation is swinging back to favor the United States. This could be an important factor in the competitive wheat export market.

The increase in double-cropping is a significant factor behind the growth of wheat acreage in the Southeast. Virtually all of the wheat in the Southeast is part of a double-crop rotation, and it is likely that the majority of double-cropped soybeans and sorghum follow wheat.

The three leading States in double-cropped soybean acreage have been Arkansas, Georgia, and Missouri. The States with the most dramatic growth in double-cropped soybean acreage from 1978 to 1982 were Mississippi, Louisiana, Tennessee, Kentucky, and North Carolina. Between 1978 and 1982, the acreage of wheat in these States increased 4.4 million acres.

Double-cropping wheat with another crop, now accounting for around 10 million acres is expected to continue to increase, although at a slower rate, especially in areas which have experienced rapid growth in the last few years. The constraint to growth of double-cropping in the North is length of growing season. In the South, it is soil moisture at wheat harvest time. So, irrigation is expected to play a major role in determining the rapid growth areas of double-cropping. For example, experiments have shown that under irrigation, double-cropped soybean yields are nearly equal to single-crop yields. Thus, there is a strong economic incentive to plant wheat in front of a second crop, as long as wheat production covers the low variable costs of planting and harvesting. Growth in double-cropped acreage has made total wheat acreage less responsive to market prices and acreage reduction programs.

Wheat utilization

An aspect of wheat that separates it from other crops is that there are five major classes of wheat grown in the United States; hard red winter (HRW), soft red winter (SRW), hard red spring (HRS), white, and durum. These classes are grown in distinct regions, have different end uses, and are marketed separately.

The United States exports all five classes of wheat. HRW, the most important bread wheat, is exported principally to the USSR, Brazil, China, and Japan. China is our largest customer for SRW which is used for cakes, pastries, and crackers. HRS is also a bread wheat, but there is no single outstanding buyer. White wheat is imported mostly by Asian countries, primarily South Korea, Japan, and India, where it is used for noodle products. Egypt is also a large importer of white wheat. SRW, HRS, and white wheat are exported in roughly equal amounts. Less than 5 percent of U.S. wheat exports are durum; the largest importers are Tunisia and Algeria.

In contrast to total wheat, production by class is highly concentrated, except for soft red winter. So, even when total wheat supplies are excessive, the supply of a particular class may be tight and vice versa.

Domestic uses of wheat include food, feed, seed, and industrial uses. The use of wheat for food has been by far the largest component of domestic use. However, whenever wheat prices have been low relative to corn, sharp increases in the amount of wheat fed to livestock have occurred. During the 1950's, domestic uses of wheat often were double or triple the amount exported. In recent years, wheat exports have been much larger than domestic use, and as a result, analyses of wheat demand have focused on exports.

Over time, consumer preferences have changed, and these changes have affected the relative demand for the different classes of wheat. It was not until World War II that flour sold to bakeries exceeded flour sold directly to consumers. The shift in favor of more processed foods is a structural change. Another is the growth in eating away from home, which increased 80 percent between 1966 and 1979. Fast food restaurants have led the way, and the types of products offered by these firms have provided a demand for soft wheats. This changing product demand has coincided with the tripling of soft red wheat production in the Southeast.

The demand for wheat for food uses is relatively unaffected by changes in wheat prices and in economic conditions. Future demand will likely be closely related to population growth.

During World War II, wheat feeding was subsidized by the Government in an effort to reduce wheat inventories and to increase output of meat, milk, eggs, and animal fat. Wheat feeding decreased in the 1950's because loan rates kept wheat prices at levels that were not competitive with feed grains. A bushel of wheat has 113 percent of the feed value of a bushel of corn; and the wheat loan has usually been around 130 percent of the corn loan.

Since 1964, when wheat loan rates were lowered, wheat feeding has followed a cyclical pattern with lows near 35 million bushels and highs over 200 million. In 1984/85, however, wheat feeding was 412 million bushels. In years when total wheat feeding has been below 75 million bushels, most feeding occurred on farms where the wheat was grown. But, when total wheat feeding went up, most of the increase resulted from wheat being purchased for use in animal feeds by processors, commercial feeding operations, and other farmers.

In the last decade, feed use, averaging a little over 15 percent of total use, was highly variable and clearly not a source of market growth before the 1983/84 season. However, as more livestock producers experiment with wheat and with another large crop expected in 1985, wheat feeding could become an important use over the next couple of years. This would be the first major new source of domestic demand for many years. It could also be a factor in setting loan rates for grains, which could affect wheat feeding. Statistical analysis suggests that a 10-percent drop in the wheat/corn price ratio boosts wheat feed use by 35 percent.

Between the early 1960's and the early 1980's world wheat trade more than doubled, from an average of 1.74 billion bushels (47.4 million metric tons) in 1960–1964 to an average of 3.63 billion bushels (99.2 million tons) for 1980–1983 (excluding intra-EC trade).

American farmers have generally supplied about 40 percent of the wheat in world trade.

Over the past two decades, wheat imports of developing and centrally planned countries have grown rapidly while those of developed countries have declined—from about 30 percent in 1960–64 to about 12 percent in 1984. Most of the decline occurred in the European Economic Community (EC). The EC shifted from a net importer to a net exporter during the late 1970's when policies setting high farm prices stimulated wheat production and dampened consumption. Until 1974, feeding wheat to livestock was subsidized. Thereafter, excess supplies were exported at subsidized prices.

The wheat market share of developing nations peaked during 1975–1979. The recession and the rise in interest rates in the early 1980's caused debt servicing problems for many of these nations and a decline in imports.

The Japanese share of the world wheat market increased during the early 1970's with income growth and a change in food habits favoring bread and noodles. Although domestic wheat prices were fixed by the Japan Food Agency above world market prices, wheat prices at the consumer level still fell relative to rice. After 1974, Japan's share of world imports fell because rising incomes no longer improved wheat demand. Also, Japanese consumers failed to benefit from the fall in world wheat prices.

In 1972/73, the Soviet Union decided to import grain rather than absorb crop shortfalls internally. Large, but erratic, Soviet grain imports finally led to the U.S.-USSR grains agreement in 1976. Soviet wheat imports have remained large during the 1980's; one reason is that the 1980 U.S. grain embargo limited Soviet access to U.S. corn. Limited supplies of foreign exchange have reduced the importance of Soviet Bloc in Eastern Europe as a wheat market.

The emergence of China as a major buyer of U.S. wheat was a result of the normalization of U.S.-Chinese relations. As recently as 1976/77, there were no exports of U.S. wheat to China. However, in recent years China has remained a large importer and has signed a trade agreement with the United States. However, recent Chinese policies to stimulate production have proven successful and the need for wheat imports has declined.

The growing importance of centrally planned and developing countries in world wheat trade in the past decade has led to an increasing reliance on long-term agreements (LTA's). The state trading agencies, which control grain trade for many of these countries, frequently prefer arrangements which assure long-term supplies. In addition, the growing debt problems experienced by many less-developed and Eastern European countries in recent years has exacerbated shortages of foreign exchange and triggered interest in barter arrangements, which were once almost exclusively confined to trade among centrally planned countries. Future U.S. wheat exports will not be affected by these developments as long as these agreements comprise a small proportion of trade or merely formalize a trade flow which would have occurred anyway. Credit programs offered by the U.S. have also become important to these countries as price competition in world wheat trade has intensified.

Relative to its proportion of total U.S. agricultural exports, wheat accounts for a disproportionate share of agricultural products exported through Government programs (see Exhibit 2 of title I).

Wheat—outlook and situation

The U.S. wheat sector has faced excess supplies so far in the 1980's and faces slow growth in exports for the near future. Even so, wheat production has remained large. Yields are rising and wheat can be grown at low cost both in the Great Plains and in the Southeast, where it is doubled-cropped with soybeans. None of the many farm policies employed in past years have succeeded in preventing periodic wheat surpluses or in reducing them without great expense.

Since 1962, the Federal Government has attempted to reduce wheat production by offering voluntary diversion, set-aside, or acreage reduction programs in all years but 1968-68, 1973-77, and 1980-81.

The combined effect of acreage slippage and higher yields on land kept in production is to make wheat acreage reduction programs about 50 percent effective. Diversion of 10 million acres results in production being reduced by the equivalent of 5 million harvested acres.

Since the United States is the largest exporter of wheat, the domestic loan rate supports international prices. A higher loan rate encourages other wheat exporting nations to raise their production. Foreign exporters have expanded wheat production 54 percent since 1975 and they have more than doubled exports. These nations do not hold stocks nearly to the extent that the United States does. They will cut prices to move their wheat.

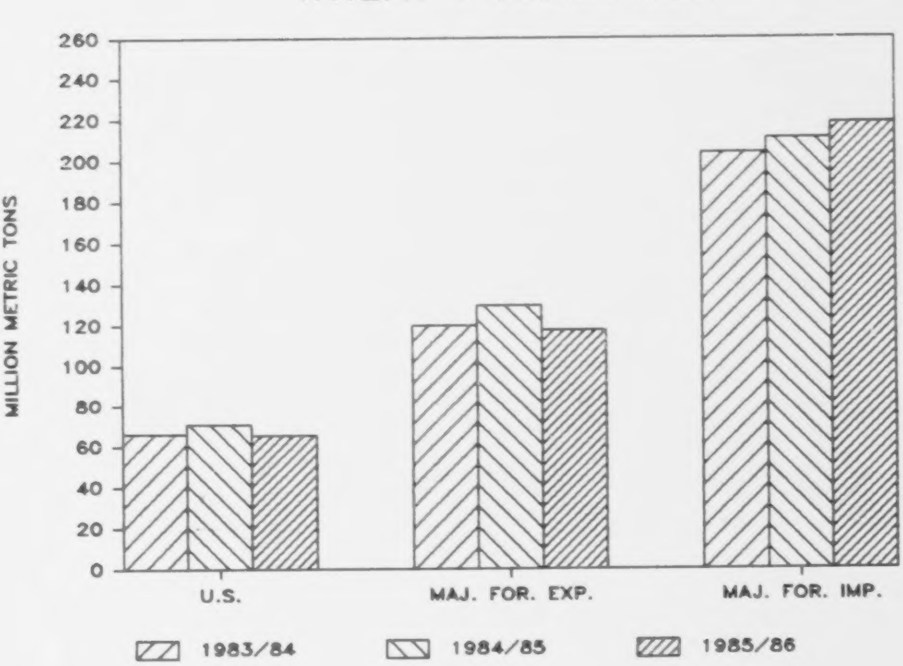
U.S. wheat exports reached a peak of 48.2 million tons in 1981/82 (July/June basis) and have declined each year since. The most recent 1985/86 forecast shows a 19-percent decline from 1984/85 to 31.3 million tons, the lowest since 1978/79.

While global wheat imports grew 5.5 percent annually from 1970 through 1980, import growth in recent years has slowed considerably. During the 1980's, imports have averaged 101 million tons a year, ranging from 94.1 million in 1980/81 to 107.6 million in 1984/85. The forecast for 1985/86 is 93.5 million.

During the import growth period of 1970–80, consumption in foreign countries (excluding the USSR and China) exceeded production by an average of 20 million tons a year. However, the gap has narrowed recently to an average of 5 million tons a year. The United States has often been referred to as the world's residual wheat supplier, and this role has become more pronounced in recent years as the gap between consumption and production has narrowed.

Wheat production among the major importers (including India) has increased from 229 million tons in 1980/81 to a forecast 263 million in 1985/86. China and India have made notable strides toward self-sufficiency in the 1980's. In both cases, U.S. wheat exports have been adversely affected. (Exhibit C1)

EXHIBIT C1


WHEAT PRODUCTION
MILLION METRIC TONS
0
20
40
60
80
100
120
140
160
180
200
220
240
260
U.S.
MAJ. FOR. EXP.
MAJ. FOR. IMP.
1983/84
1984/85
1985/86

The combined effects of declining imports by China and India, generally stable imports by the USSR, and gradually increasing imports by the rest of the world have steadied world import levels in the 1980's. World import demand is no longer rising 5 million tons a year as it did from 1975 to 1980, putting a strain on the world's major supplier of wheat.

The exportable supplies of the five major exporters—the United States, Canada, the EC, Australia, and Argentina—have increased dramatically since 1980. Ending stocks of the major exporters have grown nearly 60 percent, from 48 million tons in 1980/81 to an expected 74 million tons in 1985/86. The United States normally holds a majority of these stocks and is expected to end the 1985/86 year with 42.7 million tons.

As a percentage of world trade, exporters' stocks have increased from 50 percent in 1980/81 to an anticipated 79 percent in 1985/86. These stocks contribute to falling prices and intensify competition.

The U.S. market share rose in the late 1970's and averaged 45 percent from 1979/80-1981/82. With strong commercial demand from China and the USSR and very competitive export prices, U.S. wheat exports reached 48.2 million tons—a 48 percent share in 1981/82. U.S. exports have declined in recent years and are expected to capture only 33 percent of the market in 1985/86. Meanwhile, market share for the four major competitors have increased, particularly for Argentina and Australia. (Exhibit C2)

EXHIBIT C2.—DISTRIBUTION OF WORLD WHEAT EXPORTS AND STOCKS, 1960–84

Country or region	1960–64	1965–69	1970–74	1975–79	1980–84	1984 [2]
			Percent share [3]			
Exports: [1]						
United States	40.5	35.9	40.2	44.0	1.3	36.1
Canada	22.7	21.1	21.3	19.3	19.3	18.0
Australia	12.5	12.5	12.8	13.4	1.5	15.4
EC	4.1	6.8	8.4	10.4	15.6	16.3
Argentina	5.4	6.3	3.1	5.5	6.6	7.4
Other	14.8	17.4	12.4	7.3	5.7	6.8
Ending stocks:						
United States	45.0	23.5	24.2	30.4	37.7	35.2
Canada	18.0	21.6	17.8	13.7	9.6	6.7
Australia	1.3	4.1	2.7	3.5	5.3	7.4
EC	10.5	9.1	9.1	9.9	11.1	14.6
Argentina	1.9	.6	.9	1.2	.8	.6
Other	23.3	41.0	45.3	41.4	35.5	35.5

[1] Excludes intra-EC trade; July/June year.
[2] Preliminary.
[3] Totals may not add to 100 percent due to rounding.

Argentina has doubled its market share from 4 percent in 1979/80–1981/82 to average of 8 percent in the past 3 years of expanding wheat production on former pasture land.

Australia's market share has grown from 12 percent in 1979/80–1982/83 to 15 percent in 1984/85–1985/86. Australia's area planted to wheat has increased over 10 percent since 1980.

U.S. wheat exports and sales thus far in fiscal year 1985 have been particularly slow. Overall sales and shipments are lower than in 1984, and exports from March through May were the lowest in over a decade. Commercial exports will likely decline in fiscal 1985, in part because a larger Soviet crop is anticipated and their import needs will be smaller. However, the USSR is committed to import at least 4 million tons of wheat based on the long-term trade agreement.

Credit sales also may be lower than in 1984 because the blended-credit program was suspended in February. The program was suspended after a U.S. district court ruled the program is subject to cargo preference provisions.

Outside China and India the import demand for the rest of the world is growing gradually, but this growth is not coming to the United States as increased commercial wheat sales. Rather, it is going to competitors who are supplying demand at more competitive terms.

Wheat price support net expenditures have risen dramatically. Since fiscal year 1979 net expenditures have shown a 1,300 percent increase. (Exhibit C3)

EXHIBIT C3.—PROGRAM COSTS FOR WHEAT AND PRODUCTS [1]

[In millions of dollars]

Fiscal year	Direct price support or deficiency	Diversion	Disaster	Certificates issued	Exports [2]	Producer storage	Loan operations		Net price supports and related expenditures [3]
							Outlays	Repayments	
1961					74.3	NA	861.0	231.1	362.4
1962		65.1			56.8	NA	576.6	283.1	−155.0
1963		268.6			26.3	NA	720.0	158.5	422.4
1964	79.2	114.7			96.7	NA	425.3	158.9	−97.7
1965		32.5		409.8	11.1	NA	396.3	98.3	−150.4
1966		38.1		470.7	159.8	NA	322.6	171.5	−431.0
1967		27.2		651.8	107.7	NA	259.9	152.2	47.1
1968				726.4	42.6	NA	477.8	144.6	609.1
1969		24.1		746.5	1.9	NA	688.0	179.8	843.6
1970		47.4		791.7	57.5	NA	636.0	325.6	795.5
1971		62.6		811.0	129.2	39.4	381.2	412.1	467.6
1972				884.5	65.4	27.0	687.3	316.1	866.9
1973		132.2		730.9	299.7	28.3	346.2	510.7	73.0
1974		98.5		392.3	43.3	4.3	233.8	141.6	241.6
1975		.2	101.3		(5)		165.0	48.7	21.7
1976 [4]			124.1				252.9	44.9	191.7
1977			136.9			.4	2,078.6	10.6	1,899.3
1978	996.4	5.5	116.8			109.3	980.4	181.1	844.3
1979	617.6	9.7	95.5			66.5	556.1	1,231.4	308.4
1980			96.8			18.0	1,312.7	565.2	878.6
1981			320.5			110.5	1,782.7	559.4	1,542.6
1981			320.5			110.5	1,782.7	559.4	1,542.6
1982	414.5		79.2			2,230.1	2,150.8	556.0	2,237.5
1983	820.8	140.8	5.9			200.9	4,225.1	1,705.0	3,418.9
1984	423.9	656.6	.6			176.9	3,021.5	1,709.6	2,536.1
1985 [6]	1,738.0	638.0				182.0	2,178.0	249.0	4,069.0

NA-Not available.

Leaders = No outlays.

[1] Excludes Public Law 480 commodity costs.

[2] Commodity exporty payments.

[3] Direct price support or deficiency, diversion, disaster, certificate, export, and producer stroage payments plus Government expenditures for storage and handling, transportation, processing and packaging, loan collateral settlements, loans, purchases, and other expenses less sales proceeds, loan repayments, certificates sold, and other receipts. Negative indicates net receipts.

[4] Includes July/September 1976 to allow for shift from July/June to October/September fiscal year.

[5] Less than $50,000.

[6] Forecast.

Feed grains—production

Corn, sorghum, oats, and barley commonly are labeled as feed grains in the United States inasmuch as most of the use of these four grains in the domestic economy is for the purpose of feeding livestock and poultry. Some of the production of these grains is used to make products for direct human consumption, products for industrial uses, and for seed. The export market is also a very important outlet for domestically produced feed grains.

The four feed grains have differing characteristics of tolerance of climatic conditions, length of growing season, resistance to disease, yields, and other factors which influence production. Thus, there tend to be areas of specialization in production for the individual grains. All of the grains conceivably could be grown in the Midwestern part of the United States known as the Corn Belt. However, the climatic conditions, soil, and length of growing season in this area are such that corn is the dominant feed grain grown there. The more drought resistant sorghum is found in the arid regions of the Southern Plains. Oats prefer a relatively cooler climate, and, thus, production is concentrated in the northern areas of the country.

Corn is the leading U.S. crop, both in volume and in value. In 1985, farmers planted about 83 million acres in corn, accounting for 24 percent of the 344 million acres planted in principal crops. About 90 percent of the acreage was harvested for grain and the balance for silage and forage. With a yield of 113.3 bushels per acre, U.S. corn production in 1985 is expected to reach a record 8.47 billion bushels.

Corn production is concentrated in the Corn Belt, Lake States, and Northern Plains. The Corn Belt has accounted for about one-half of U.S. corn acreage since the 1950's. The Lake States' share has continued to increase and in 1985 was nearly double the 9 percent share of 1950. The Northern Plains has maintained about a 15 percent share of corn acreage since 1960. The expansion in the Lake States came at the expense of the Southeast and Delta regions where the shares trended downward to 3 and 0.5 percent in 1985, respectively. This occurred because of competition from more profitable crops, such as soybeans and double-cropped wheat and soybeans. Despite the declining shares, Southeast and Delta production actually increased from 95 million bushels to 120 million bushels between 1970 and 1980 as national corn production increased 60 percent.

Variation in corn production in recent years came more from yield fluctuations than changes in acreage, with larger variation in the more drought-prone areas. In contrast with corps such as wheat, soybeans, oats, and barley, corn yields have trended upward since the 1930's when hybrids were introduced. Corn yields increased from about 25 bushels an acre in the early 1930's to about 87 bushels in the mid-1970's, and 104 bushels in the early 1980's. The upward trend in yield reflected adoption of improved hybrids, increased rates of fertilization, increased irrigation, higher seeding rates, and better control of weeds, insects, and diseases. Pesticide use increased about 80 percent during the 1970's and fertilizer use increased 35 percent. Barring weather fluctuations, corn yields have been increasing by 2 bushels per acre per year at recent rates of technology improvement.

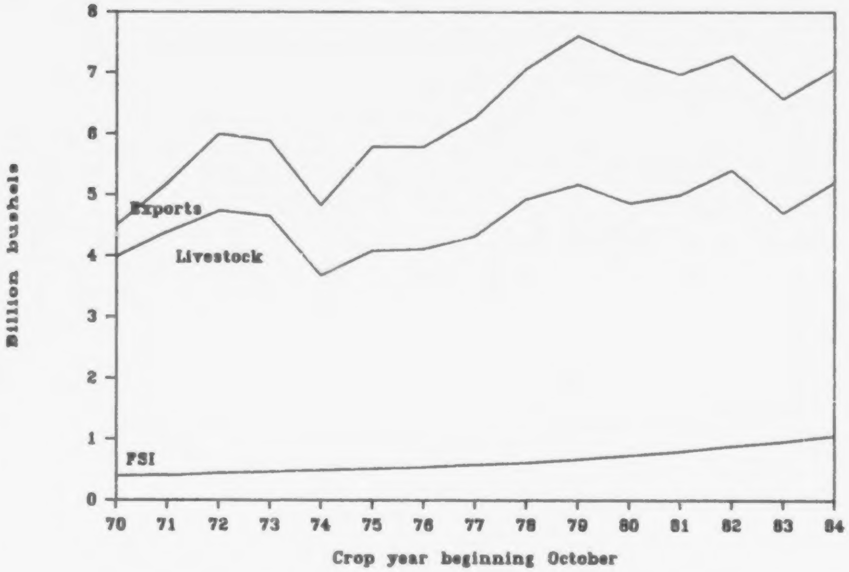
Feed grains—utilization

Corn, soybeans, and cotton compete for the same land in various areas of the country. The primary demand for corn and soybeans is derived from the market for livestock products here and abroad. Corn is the most important feed grain used in feed rations. Soybean meal is the predominant oilseed meal used in concentrate feeds. In the 1982 crop year, corn accounted for 82 percent of all grains fed to livestock, while soybean meal accounted for 89 percent of oilseed meals used. Corn programs have indirect but substantial effects on the soybean and livestock sectors.

Total disappearance of corn—both domestic use and exports—has trended upward during the past two decades, reaching a record 7.6 billion bushels in the 1979 crop year: 5.2 bushels for domestic use (68 percent) and 2.4 billion for exports (32 percent). In the last decade, corn exports grew faster (61 percent) than domestic use (42 percent), resulting in a 48 percent increase in total disappearance. (Exhibit C4)

EXHIBIT C4

Domestic and Export Uses of Corn



The livestock feed ratio contains two-thirds roughage and pasture and one-third concentrates (although poultry feeding relies primarily on concentrates). Feed concentrates include feed grains, wheat, rye, oilseed meals, animal protein feeds, grain protein, mill byproducts, and mineral supplements.

Competition among feed ingredients depends on relative prices and relative feed values. Average feed values on a bushel-for-bushel basis differ from a pound-for-pound basis because bushel weights generally are different, although corn and sorghum bushels each weight 56 pounds. Feed values for major grains averaged across all livestock classes are shown as a percentage of corn's value are presented below.

	Pound for pound	Bushel for bushel
Corn	100	100
Sorghum	95	95
Barley	90	77
Oats	90	51
Wheat	105	113

Prices of competing feed grains, feed wheat, and feed ingredients such as soybean meal are important determinants of feed use of corn. For example, the corn/sorghum feed use ratio increased in the feed ratio from 6 to 1 in 1973/74 to 7.5 to 1 in 1974/75, partly because corn became cheaper relative to sorghum. It has been difficult to quantify the effect of sorghum price on corn feed use because sorghum prices tend to follow corn prices closely. Similarly, wheat feeding increased from 7.8 million metric tons in 1982/83 to 11.2 million in 1984/85 because wheat became less expensive relative to corn. Substitution between corn and wheat has been moderated in the past by wheat progams that set wheat loan rates relative to corn loan rates at a level in excess of feed value. A 1 percent drop in the wheat/corn price ratio generally boosts wheat feed use by 3.5 percent.

Food, seed, and industrial uses of corn, though a small proportion of total domestic use (20 percent in 1984/85), have been steadily increasing and are approaching 1 billion bushels. The amount doubled in the 1970's as a result of expanding markets for high-fructose corn sirup (HFCS) and other sweetener products produced by the wet-milling industry. In 1984/85, about 645 million bushels of corn were used to produce HFCS, glucose, dextrose, and starch. Ethanol is another industrial product which has expanded domestic use of corn in recent years. In the 1979 crop year, 10 million bushels of corn were used for ethanol production. The total was estimated to reach 200 million in the 1984 crop year (3.8 percent of total domestic use).

The growth in wet-milling of corn has been stipulated by sugar programs and programs designed to expand capacity for ethanol production through Federal and State tax incentives. The system of import fees, duties, and restrictive import quotas (except in 1975–81 when quotas were suspended) used to administer the current sugar program has generally kept the domestic refined sugar price much higher than it would otherwise have been, especially since 1982 when the quota system was resumed.

Alcohol sales (fuel, industrial, and beverage alcohol) grew from 75 million bushels in 1980/81 to 240 million in 1984/85, and are estimated to reach 280 million in 1985/86. Corn prices, Government policy to deregulate natural gas, tax incentives, and petroleum prices all affect the competitive position of ethanol.

World exports of coarse grains (all grains except wheat and rice) increased from about 25 million metric tons in 1960/61 to 102 million in 1984/85. Corn dominates the world trade in feed grains, accounting for 66 percent (excluding intra-EC trade) in 1984/85. U.S. corn exports in the same year totaled about 47 million metric tons, nearly three-fourths of world corn exports and 46 percent of international trade in coarse grains. Due to the dominant role of the U.S. corn industry in the world coarse grains market, U.S. supply, demand, and policy changes significantly affect world markets for coarse grains. (Exhibit C5)

EXHIBIT C5.—WORLD COARSE GRAIN EXPORTS, 1979–84 CROP YEARS

[Million metric tons]

Country or region	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
United States	71.4	69.6	58.4	54.0	55.8	55.6
Canada	3.8	5.5	7.2	7.1	5.4	3.5
Australia	4.1	2.3	3.1	1.0	5.6	6.8
Argentina	5.3	14.2	10.3	11.6	10.9	11.7
South Africa	3.5	4.1	4.7	2.3	.1	.0
Thailand	2.2	2.4	3.5	2.3	3.3	3.6
World total	99.4	108.8	96.6	89.9	91.9	101.5

During the last two decades, especially during the 1970's developing and centrally planned countries accounted for much of the rapid growth in world corn imports in response to their rapid growth in meat demand.

Corn imports by developing nations rose from an average of 7 percent of world corn trade in 1960–64 to about one-third in 1983–84. Corn imports by North Africa, the Middle East, Latin America (including Mexico), and high-income East Asian countries all increased rapidly. Several factors were responsible. Income growth, such as in the OPEC countries and in East Asia, increased the demand for meat and for U.S. corn exports. Population growth contributed to the increase in the demand for corn as both a feedstuff and a foodstuff. Finally, several countries, such as South Korea and Taiwan, adopted policies to protect domestic lifestock industries. Their lack of ability to efficiently produce feed grains and protein meal encouraged imports of feedstuffs. The policies directly contributed to the increase in corn imports by South Korea and Taiwan from 4.6 million metric tons in 1979/80 to 6.2 million in 1984/85.

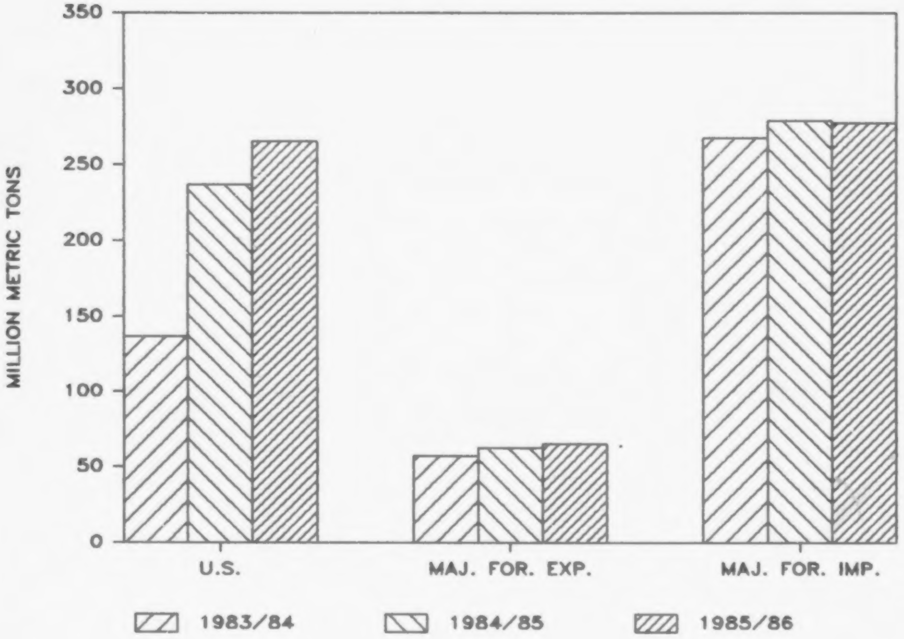
The world corn import share of centrally planned countries, in the rapidly growing world corn market, increased from 7 percent in the early 1960's to an average of 26 percent in the early 1980's. this growth was due largely to the decision by the Soviet Union to import supplies from the world market while continuing to build livestock herds and to increase the proportion of feed concentrates in livestock feeds at the expense of feedstuffs of lower feed value.

Feed grains—situation and outlook

Following the U.S. embargo on grain sales to the Soviet Union in January 1980, the U.S. share of the world market for coarse grain declined by 17 percentage points from 1979/80 to 1984/85. Major countries that compete with the United States in the world grain market expanded their grain production and exports (Exhibit C6). For example, the Canadian share of the world wheat and coarse grains market rose from 11 to 15 percent, while the Argentine share increased from 6 to 10 percent. After the embargo, the USSR, the EC, Japan, Eastern Europe, and China all increased their imports from major U.S. competing exporters. In 1982/83, the USSR imported only 20 percent of its wheat and coarse grains from the United States, down from the 72 percent in 1978/79. However, the U.S. share of Soviet imports rose to about a third in 1983/84 due, in part, to a new long-term agreement.

EXHIBIT C6

COARSE GRAIN PRODUCTION



Export competition for corn, however, cannot be assessed in isolation from other feed grains because of the ease of substitution among alternative feed grains and carbohydrate sources in livestock and poultry feeding. Corn faces a larger number of substitutes including other feed grains as well as feed wheat, grain byproducts, manioc, and citrus pulp. Viewing corn export competition in this context, the United States faces competition not only from Argentina, South Africa, and Thailand for corn, other feed grains, and nongrain feeds, but also from Canada, Argentina, and Australia for wheat and other feed grains.

Recent trends in the world corn export market suggest that imports by Japan, non-EC Western Europe, and developing and centrally planned nations have been increasingly important, while purchases by the EC have declined. The growth in world corn trade was largely due to expanded imports by developing and centrally planned countries. Since imports by these countries depend heavily upon income growth, economic conditions in these countries are crucial in determining U.S. corn exports.

Access to financing by the developing countries and credit available for consumption or productive investment have also been important determinants of U.S. corn exports. The mounting debt situation facing a number of countries, such as Mexico, has added another uncertainty to U.S. corn. Any increase in U.S. interest rates will likely worsen the situation since a 1 percentage point increase in the U.S. interest rate, for instance, translates into substantial additional annual debt service in Mexico.

Major U.S. competing exporters have taken steps to protect their market shares. Argentina, for example, has reduced its export taxes and the degree of overvaluation of its currency. It has also undertaken a fertilization program to increase grain production 30 percent. Bilateral agreements signed by Thailand, Australia, and Canada made the United States even more a residual supplier in the world grain market. Canada has taken major steps to expand its export capacity, including major port and rail investments. Australia, with its competitive wheat export prices, has aggressively marketed its wheat to East Asia and the Middle East, further encouraging substitution of feed wheat for U.S. corn and other feed grains by these countries.

Net expenditures for corn price support and supply control programs have risen dramatically since fiscal year 1978 and are expected to cost more than $4 billion in fiscal year 1985. (Exhibit C7)

EXHIBIT C7—PROGRAM COSTS FOR CORN, 1950–83

[Millions of dollars]

Crop or fiscal year [1]	Direct or deficiency	Diversion	Disaster	Storage	CCC operations		
					Outlays	Redemptions	Net
1950	0	0	0	0	0	0	0
1951	0	0	0	0	0	0	0
1952	0	0	0	0	0	0	0
1953	0	0	0	0	0	0	0
1954	0	0	0	0	0	0	0
1955	0	0	0	0	527.1	227.8	299.3
1956	0	0	0	0	767.3	216.7	550.6

EXHIBIT C7—PROGRAM COSTS FOR CORN, 1950–83—Continued

[Millions of dollars]

Crop or fiscal year [1]	Direct or deficiency	Diversion	Disaster	Storage	CCC operations		
					Outlays	Redemptions	Net
1957	0	0	0	0	870.2	304.8	565.4
1958	0	0	0	0	739.5	354.2	385.3
1959	0	0	0	0	680.3	388.1	292.2
1960	0	0	0	0	786.9	260.1	526.1
1961	0	645	0	0	1,180.5	395.6	784.9
1962	0	684	0	0	1,666.5	1,113,6	552.9
1963	305	375	0	0	1,527.7	861.7	666.0
1964	224	703	0	0	1,477.6	447.6	1,030.0
1965	334	760	0	0	1,381.8	696.0	658.8
1966	449	579	0	0	1,405.3	647.1	758.2
1967	429	302	0	0	1,401.9	550.1	851.8
1968	514	652	0	0	1,244.6	186.0	1,058.6
1969	585	780	0	0	1,795.3	304.3	1,491.0
1970	583	645	0	0	1,561.1	549.9	1,101.2
1971	893	0	0	0	1,629.7	776.5	853.2
1972	1,144	325	0	0	1,945.4	518.5	1,426.9
1973	910	0	0	0	2,006.3	975.9	1,030.4
1974	0	0	244	0	1,179.0	731.1	447.9
1975	0	0	90	0	337.6	187.6	150.0
1976	0	0	181	0	264.1	152.5	111.6
TQ [2]	NA	NA	NA	NA	6.6	40.9	−34.3
1977	0	0	281	0	670.7	406.6	264.1
1978	88	558	37	153	2,795.2	1,097.9	1,697.3
1979	0	110	16	223	2,088.9	1,221.9	867.0
1980	0	0	280	−72	2,123.3	866.4	1,256.9
1981	0	0	92	364	2,437.2	3,013.5	−666.3
1982	291	0	1	625	5,505.9	1,225.0	4,280.9
1983	0	904	0	22	9,191.3	3,470.1	5,721.2
1984 [3]	1,690	0	0	130	8,469.7	9,397.9	−928.2
1985 [4]	2,450	0	0	150	NA	NA	4,246.0

[1] Crop year is used for program payments while fiscal year is used for CCC operations data.

[2] TQ = transition quarter due to the change in fiscal year starting dates from July 1 to October 1.

[3] Preliminary.

[4] Projected.

NA = Not available.

Cotton—production

Upland cotton comprises 99 percent of all cotton grown in the United States. Extra-long staple (ELS) cotton, which historically has been considered a unique crop for program purposes, is not covered in this report. Cotton is the single most important textile fiber in the world, accounting for about 50 percent of all fibers used. Cotton is grown in about 75 countries. China, the Soviet Union, and the United States account for about 60 percent of world production. During 1982–84, the United States produced about 15 percent of the world's cotton and used 8 percent.

Cotton has been a major cash crop and an important source of foreign exchange in the United States for nearly 200 years. Cotton was first grown in the United States at Jamestown in the early seventeenth century, but it remained a minor crop until 1793 when Eli Whitney invented the cotton gin to separate the seed from the lint. This development spurred production, with most lint being exported to textile mills in England. In 1850, for example, nearly 90 percent of lint production was exported, with the earnings offsetting the costs of about two-thirds of all goods imported into the United States. U.S. exports of raw cotton during 1982–84 accounted for about 30 percent of world cotton trade. Export earnings averaged about $2 billion, or about 5.5 percent of the total value of U.S. agricultural exports.

In 1984, cotton ranked fifth $4.0 billion among the major field crops in value of farm production, following corn $20.5 billion, soybeans $11.4 billion, wheat $8.7 billion, harvested hay $10.7 billion).

Cotton is produced in 18 States from California to Virginia, with major concentrations in the Delta areas of Mississippi, Arkansas, and Louisiana; the Texas High Plains and Rolling Plains; central Arizona; and the San Joaquin Valley of California.

Cotton acreage in the United States increased from less than 8 million acres at the end of the Civil War to more than 44 million acres in the mid-1920's. Production over that period ranged from about 2 million bales in 1866 to about 18 million bales in 1926. Cotton yields averaged about 180 pounds per harvested acre and rarely exceeded 200 pounds during the 1866–1930 period.

From 1930 to the mid-1960's, acreage trended down but yields moved upward. Yields increased from 269 pounds in 1950 to 527 pounds in 1965, about 4.5 percent annually. Since 1965, yields have shown considerable fluctuation but they appear to have resumed an upward trend since 1980. While Government programs and prices of cotton and competing crops have influenced acreage, weather has been the chief determinant of year-to-year variability in yields. U.S. production has averaged about 12 million bales a year during the past decade, fluctuating from a low of 7.8 million bales in 1983 to a high of 15.6 million bales in 1981.

U.S. cotton production has continued to shift westward. In 1984, the West (California, Arizona, and New Mexico) accounted for about 32 percent of U.S. output, up from 18 percent in 1970. In contrast, the Southeastern share has ranged from 4 to 8 percent in recent years. The Southwest (Texas and Oklahoma) and the West accounted for about 63 percent of U.S. cotton production in the last three seasons. This regional shift is due chiefly to lower average farm production costs in the West and Southwest and to the elimination of marketing quotas and the restrictive acreage allotments that were tied to historical locations of production.

Cotton—utilization

Cotton lint is used chiefly in clothing and home furnishings, with lesser amounts used in industrial fabrics. The seeds are crushed for oil and the remaining meal is fed to livestock as a protein meal. The short fuzz on the seed, called linters, is used in padding materials and as a source of cellulose for making rayon, plastics, and other products.

Americans used more cotton in 1984 than they had since 1972, and the increase is continuing. Domestic cotton use equals mill use plus the cotton in textile imports minus the cotton in textile exports. This measure reached a post-World War II peak of 10.4 million bales or 25.4 pounds per person in 1966, but has since trended lower. Competition with manmade fibers and slower real economic growth beginning in the 1970's caused domestic cotton use to decline to 6.5 million bales or 13.5 pounds per person in 1982. Since

1966, the only years in which domestic use increased from the previous year were the economic recovery years of 1971, 1976, and 1983 and 1984. The increase in 1983 brought domestic use back to 7.8 million bales or 15.9 pounds per person. In 1984, domestic use increased to 8.2 million bales or 16.6 pounds per capita.

Mill use of cotton reached 9.9 million bales in 1966/67, but declined to 5.4 million bales in 1984/85. Mill use in 1985/86 may drop to 5.2 million bales, the lowest mill use since 1931. During 1966–84, cotton mill use declined at a compound annual rate of 3.2 percent. The decline in mill use was caused primarily by two factors: the loss of market share to manmade fibers, mainly polyester, and the loss of market share to textile imports.

From 1966/67 to 1984/85, cotton's share of total fiber use in the cotton system (mills and spindles adapted to the use of cotton) declined from 81.1 percent to 62.2 percent. Manmade fiber's strength, uniformity, and ease of handling and care account for much of the decline in cotton's share of mill use. Costs to mills were higher for cotton than for polyester and rayon during most of the 1970's. If cotton had maintained its 1966/67 share of cotton-system fiber use at 81.1 percent, cotton mill use would have declined from 9.6 million bales to only 7.0 million bales rather than the 5.4 million bales actually used in 1984/85. However, the entire cotton system is becoming smaller. This is partly because manmade fibers have entirely supplanted cotton in some end uses such as tire cord and carpeting, but mostly because the cotton textile trade deficit (the excess of imports over exports of cotton textiles on a raw-fiber equivalent basis) grew from 668,000 bales in 1966 to 2.6 million bales in 1984. During 1966/67 to 1983/84, total fiber use in the cotton system declined from the equivalent of 11.8 million bales to 8.6 million bales, implying an additional 2.6-million-bale loss in cotton mill use.

In 1984, the United States imported 3.1 million equivalent bales of cotton in the form of textile products, and exported 429,000 equivalent bales. The resulting deficit of 2.6 million equivalent bales represented about 32 percent of all the cotton used in the United States in 1984. In 1980, the cotton textile trade deficit represented only 8.5 percent of domestic cotton use. That year, imports reached 1.7 million equivalent bales while cotton textile exports equaled 1.1 million bales, for a trade deficit of 590,000 bales. The 3.1 million equivalent bales of cotton textiles imported in 1984 may have displaced about 2.3 million bales of U.S. mill use of cotton.

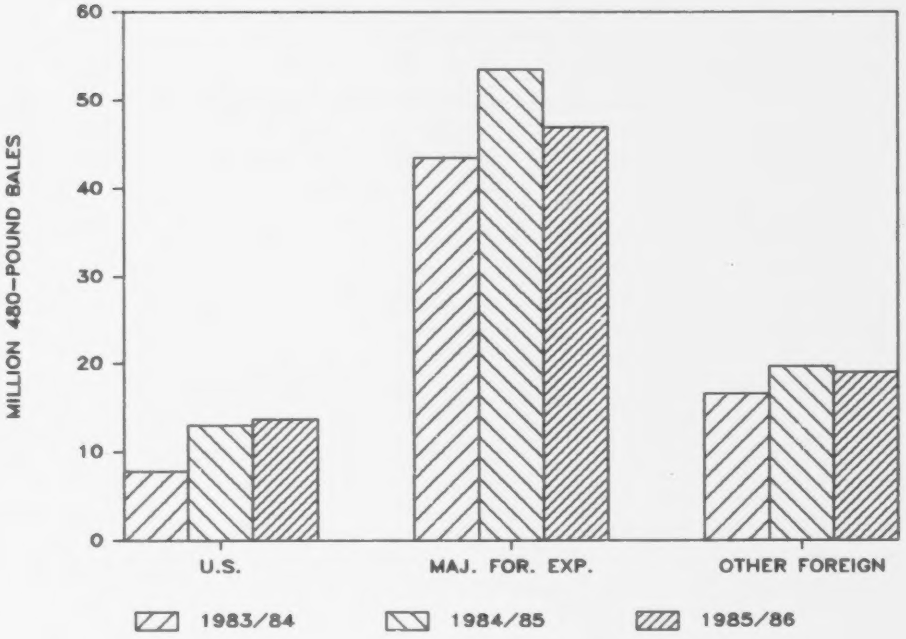
Cotton mill use is highly correlated with overall economic activity. A 1 percentage point change in the rate of growth in real GNP is usually associated with a 100,000 bale change in mill use. Mill use may ebb and rally with changes in general economic conditions, but an underlying downward trend is likely to continue.

Cotton—situation and outlook

World cotton production has increased from an average of 48.2 million bales in 1960–64 to an estimated 71.6 million bales in 1980–84, an increase of 39 percent (Exhibit C8). Cotton trade, however, increased only 19 percent in the same period, from an average of 16.7 to 19.8 million bales. Hence, a larger share of world cotton production is now milled within producing countries.

EXHIBIT C8

COTTON PRODUCTION



Even though cotton production and trade have increased worldwide, cotton's share of world fiber production fell from 76 to 50 percent between 1960 and 1984. All natural fibers have lost markets to manmade fibers, especially during the past 20 years. The development of polyester in the 1950's brought about intense competition with cotton, rayon, and acetate and was instrumental in cotton's loss of market share. These and other developments mean that world producers in search of export growth will compete for a larger share of a slowly expanding market.

Eight countries account for 50 to 60 percent of world cotton imports. Japan is the most important cotton importer with a 16 percent share of world imports in 1982-84. The Japanese share fell 2 to 3 percent during the 1970's as other East Asian textile producers—Taiwan, Hong Kong, and South Korea—expanded mill capacity and increased cotton imports. In 1982-84, South Korea purchased 8 percent of world cotton imports while Taiwan and Hong Kong had import market shares of 6 and 5 percent, respectively. The share of trade held by the People's Republic of China (PRC) increased from an average of less than 3 percent in 1960-64 to more than 17 percent in 1979 and 1980. PRC imports have tapered off sharply since 1980, however, as Chinese cotton production has expanded. In 1984, PRC cotton imports were expected to comprised only one-half of 1 percent of world imports. China is not likely to become a large importer again because of impressive gains in cotton production technology and area planted. As a result, China has become a net exporter of raw cotton.

The major European cotton importers—France, Italy, and Germany—have decline in importance since the early 1960's as these countries have moved heavily into the use of manmade fibers. Each of these countries currently purchases 4 to 6 percent of world cotton imports.

The United States and the Soviet Union are the world's largest cotton exporters with shares in 1982-84 of 31 and 16 percent, respectively. The U.S. share has varied substantially since 1960, ranging from 17 to 40 percent of world exports. Much of the variation in market share is explained by relative prices for U.S. cotton and cotton from competing exporting countries. Abundant harvests in competing exporting countries cause a reduction in U.S. exports.

The United States accounts for a high proportion of total imports of raw cotton by several countries, including Japan, Korea, Taiwan, Hong Kong, Indonesia, Thailand, and Canada. Japan was the largest single export market for the United States during 1982-84, followed closely by Korea. The United States holds the largest market shares of imports by Canada and Korea.

Much of the growth in world and U.S. cotton trade in the past 20 years was associated with the development of textile industries in Japan, Taiwan, Hong Kong, and South Korea. These countries, with their low labor costs, gained a competitive advantage on a global basis in the manufacture of labor-intensive textile products. However, economic growth in these countries has resulted in increased wage rates. A second tier of textile exporters has now emerged, including China, Brazil, Pakistan, and India. These countries are all raw cotton producers and are beginning to compete strongly for textile markets once controlled by Japan, Taiwan, Hong Kong, and South Korea, all important importers of U.S. cotton. In 1982, U.S. textile workers received an average of $7.53 per hour, while workers in Taiwan, Hong Kong, and South Korea received $1.40 an hour, and workers in China and Pakistan received $0.25 and $0.37 an hour, respectively. While these wage differences do not account for labor productivity differences, variable exchange rates, or differences in purchasing power, they give an indication of the advantage that lower wage countries have over the United States and Western Europe in textile production.

U.S. textile imports will probably continue to grow. U.S. unit production costs will likely remain above foreign costs, because of the labor-intensive nature of the textile industry, especially in the apparel sector. Growth rates for U.S. import quotas were recently lowered to 1 to 2 percent per year, about the growth rate of total fiber consumption. Quotas were previously permitted to grow up to 6 percent a year. Apparel imports are estimated to represent about 40 percent of U.S. retail apparel sales.

The new country-of-origin rules instituted by the United States may help to slow down textile imports in 1985. The new rules will probably have the greatest impact on Hong Kong and China. Hong Kong commonly imports fabric and apparel pieces from China to be dyed, finished, sewn together, packaged, and re-exported. Under the old rules, Hong Kong, with it large quotas, was the country of origin. China is now the country of origin. About 13 percent of total Hong Kong textile exports to the United States are classified as re-exports.

EXHIBIT C9.—FARM RELATED PROGRAM COSTS FOR UPLAND COTTON [1]

[In millions of dollars]

Fiscal year	Direct price support or deficiency	Diversion	Disaster	Export [2]	Equalization	Loan operations		Net price support and related expenditures [3]
						Outlays	Repayments	
1961				191.9		1,288.2	58.3	197.8
1962				174.3		800.6	223.1	682.0
1963				121.1		1.068.9	360.2	796.2
1964				40.0	62.6	1,266.4	287.9	569.6
1965	51.2			4.4	435.0	1,051.6	362.1	752.1
1966	57.6	6.4			332.2	958.1	256.4	930.1
1967	489.2	303.4			20.4	287.3	148.8	216.5
1968	610.8	244.3				137.2	108.1	193.5
1969	639.5	96.3				447.9	179.0	957.6
1970	797.6	18.7				383.0	247.6	891.4
1971	890.0	24.9				247.2	263.7	603.2
1972	819.3	.1				106.6	115.4	760.4
1973	808.7	.1				170.3	165.3	824.0
1974	713.2	.1				163.1	154.8	724.6
1975		.1	127.0			292.7	189.9	232.8
1976 [4]			124.7			105.8	237.3	−4.0
1977			95.2			168.5	159.3	104.3
1978	(5)	16.8	72.8			934.3	799.9	223.8
1979	(5)	23.6	189.2			332.8	404.4	141.2
1980	(5)		104.0			401.5	441.6	64.3
1981	(5)	.1	303.9			522.6	491.6	335.7
1982	467.4	.1	99.9			1,394.7	770.1	1,189.7
1983	804.2	3.3	105.5			1,363.3	958.5	1,362.9

EXHIBIT C9.—FARM RELATED PROGRAM COSTS FOR UPLAND COTTON [1]—Continued

[In millions of dollars]

Fiscal year	Direct price support or deficiency	Diversion	Disaster	Export [2]	Equalization	Loan operations		Net price support and related expenditures [3]
						Outlays	Repayments	
1984	145.1	−1.1	.5	....	....	479.1	1,282.1	244.1
1985 [6]	913.0	166.0	....	....	....	1,039.2	792.5	1,320.1

Leaders = No outlays.

[1] Excludes Public Law 480 commodity costs.

[2] Commodity export payments.

[3] Direct price support or deficiency, diversion, disaster, export, or equalization payments plus Government expenditures on transportation, classing, loans, loan settlements, and other expenses less sale proceeds, loan repayments, and other receipts. Negative indicates net receipts.

[4] Includes July–Sept. 1976 to allow for shift from July/June to Oct./Sept. fiscal year.

[5] Net receipts of less than $1 million.

[6] January estimate.

Rice—production

Rice accounts for about 5 percent of the value of major field crops produced in the United States, 2 percent of the acres harvested for food and feed, and less than 2 percent of food and feed production. Domestic food consumption is small in comparison with other cereal foods. For example, food consumption of both wheat and rice claims roughly a third of total domestic use of these cereals. But, Americans consume eight times as much wheat as rice. The total U.S. rice crop is produced by six States. In four Southern States—Arkansas, Louisiana, Mississippi, and Texas—rice comprises 10 percent of the field crop value. All together, the six rice-producing States supply from 18 to 25 percent of the world's rice exports.

In the United States, rice is referred to by length of grain: long, medium, or short grain. Other terms commonly used, especially in the world rice trade, are indica, glutinous, japonica, and aromatic. Indica rice is long grain, while glutinous and japonica refer to the shorter grains. Aromatic rice varieties comprise a negligible, specialty portion of world rice production; their production is generally confined to the countries with a specific preference for them. The bulk of the world rice trade, as well as U.S. production, is indica, or long grain rice. In addition, the difference types of rice are considered imperfect substitutes for each other, except by certain users who purchase rice for further processing. Five of the six rice-producing States—Arkansas, Mississippi, Louisiana, Texas, and Missouri—are located in the South and they produce most of the long grain rice. The sixth State, California, produces the bulk of the U.S. medium and short grain rice. Yields vary by type of rice produced, with short grain achieving the highest yields per acre, followed by medium and long grain.

Until the mid-1970's, increases in yield per acre were responsible for most of the increases in rice production. At the turn of the century, average rice yields per acre were 1,144 pounds. By the 1950's yields had increased to 2,800 pounds per acre, and in the next decade, yields increased to more than 4,000 pounds. In the mid-1970's, historical acreage restrictions were suspended and harvested acreage rose, increasing by 1.5 million acres from 1970 to 1980. Record acreage and yields were achieved in 1981, with harvested acres totaling 3.8 million and yields averaging 4,800 pounds per acre. Because the entire U.S. rice crop is irrigated, and all planted area is fertilized, U.S. rice yields are not as subject to many of the weather-related swings that affect other U.S. crops. For the period 1970–1983, yields per acre averaged 4,570 pounds, with annual variations of 2 percent, or about 100 pounds per acre.

While yields tapered off during this period, nearly all of the increased production came from acreage increases. In 1973, 2.17 million acres of rice were harvested. By 1981, another 1.6 million acres were added to harvested area—an increase of 75 percent over the 1973 area within 8 years.

Rice—Utilization

In 1984, 71 percent of the total U.S. rice crop was long grain, 24 percent medium, and 5 percent short. The short grain crop has diminished considerably since 1950 when it made up 20 percent of the total rice crop. Medium grain's share has wavered over the past 30 years, settling at around 20–30 percent of the total crop. Long grain rice has grown from less than half of the total crop in 1950 to almost three-fourths. The shifts in production by type partly reflect the preference for long grain rice in both domestic and import markets. Recently, long grain output has increased because of rice price support programs, and the lack of commercial medium grain reports.

Domestic use of rice is small in comparison with other grains. Very little rough and no milled rice is used as livestock or poultry feed. Direct food, processed food, and beer comprise the domestic outlets for rice, which have more than doubled since 1950. Direct and processed use of rough-equivalent rice has increased from less than 18 million hundredweight in 1950 to 36 million in 1984.

Direct food use (consumption of whole kernel rice), is the largest domestic outlet, averaging between 60–64 percent of the total domestic disappearance of rice since the 1950's. Beer and processed foods account for the balance, with beer claiming around 20 to 25 percent, and processed foods the remainder. Processed foods include soups, cereals, and baby foods. Most of the direct use is claimed by long grain rice. Processors and brewers usually purchase medium, short grain, and brokens. Since the rice will be processed further, and starch content is an important factor to food processors, these groups tend to buy the shorter, stickier grains. Processors are also more price-sensitive than direct food users because substitution among classes is feasible in processed products, and the shorter grains tend to be cheaper than the long grains.

Direct food use of rice includes regular milled, parboiled, precooked, and brown rice, and specialty products such as flour and flavored rice. The direct consumption of milled rice grew from 8 million hundredweight in 1955/56 to 19 million in 1982/83, the last year of available distribution data.

Processed use of milled rice has nearly tripled since 1955/56, growing from 1.5 million hundredweight to 4.3 million in 1982/83. Nearly one-half of the growth in domestic rice consumption over the past decade has come from increased use by brewers. Milled rice used to make beer increased from 3.2 million cwt in 1955/56 to nearly 9 million hundredweight in 1982/83.

Government-assisted exports authorized under P.L. 480 have played an important role in promoting and expanding U.S. rice exports. The total volume of rice exports moving through Government programs has increased in recent years, but Government-assisted exports as a percentage of total exports declined until 1982. Government exports as a percentage of all rice exports ranged from 33 to almost 80 percent during a 30-year period covering 1956 to 1975. In the 1950's, Japan, Pakistan, India, and Indonesia were key markets for Government rice exports. In the 1960's, India and Indonesia were the major recipients. South Vietnam, Kampuchea, and South Korea received most of the P.L. 480 rice in the early 1970's, but after 1975, assistance was targeted most heavily to African countries. In general, P.L. 480 rice exports consisted of lower quality, lower priced, medium grain rice.

Rice—situation and outlook

About 62 percent of total rice supplies were long grain in 1984/85. Long grain supplies are expected to increase to 69 percent for 1985/86. Long grain stocks made up only 35 percent of total rice stocks in 1983/84, but jumped to 58 percent for 1984/85. In 1985/86 long grain stocks are expected to continue building and are projected to comprise 73 percent of total stocks by the end of the marketing year.

Since 1983/84 medium and short grain supply, use, and stocks have all declined. For long grain rice, use has increased slightly, but supply has increased greatly. Thus long grain stocks have accumulated to burdensome levels.

Ending stocks in California for the past 4 years have been steadily rising in proportion to total U.S. carryover. At the end of the 1979/80 crop year, California carryover was about 22 percent of the total U.S. carryover. This share rose to 34 percent by 1980/81, and continued to climb—to 39 percent in 1981/82 and 43 percent at the close of the 1982/83 crop year. The imbalance is further heightened in view of California's share of U.S production. In these 4 years, California produced about one-fifth of the U.S. crop, yet it holds more than a third of the total stocks. In the 1983/84 crop year, when production was reduced by participation in the rice program, California's beginning stocks were actually 40 percent greater than its production.

By the end of the 1983/84 crop year, California held 49 percent of all rice stocks. On August 1, 1985 California stocks made up 39 percent of the total. Over the course of the 1984/85 crop year, rice holdings doubled in Arkansas, tripled in Texas, and increased slightly in California.

World rice production has nearly doubled since 1960. Production gains over the past 25 years are largely attributable to growth in average yields. Research and development by the International Rice Research Institute (IRRI), located in the Philippines, on new, higher yielding rice varieties have done much to sponsor a "green revolution" in major rice-producing countries. Since 1960, harvested area has increased just 20 percent, but yields have risen by 55 percent. In 1983/84, global rough rice production is estimated at a record 445 million metric tons, up 6 percent from 1982/83.

Despite the importance of rice as a food staple to a third of the world's population, the volume traded is minuscule in comparison. Out of a world milled rice crop of 300 million tons, only about 12 million—or less than 5 percent—will be traded in the world market. Most rice is consumed in the country in which it is produced. Moreover, 65 to 70 percent of world exports are supplied by just five countries: United States, Thailand, Burma, Pakistan, and China. The United States and Thailand normally account for half of the rice exported in the world. Within the last 3 years, Thailand has become the largest rice exporter, mainly because of uncompetitive U.S. rice prices. U.S. milled rice prices exceeded Thai prices for comparable rice by $3 per hundredweight in 1980/81, but by $10.34 in 1984/85.

Normally, the United States contributes 2 percent to the world rice crop. In 1983/84, because of a 30-percent PIK-included in production, the U.S. crop was just 1 percent of the world's production. Nevertheless, the United States will likely claim 18 percent of world rice trade in 1985/86, following the lead position of Thailand. In recent years, the United States has provided almost 25 percent of the world's rice exports. Thus, while the U.S. rice crop is insignificant in comparison to world production, its impact on trade is large.

Major customers for U.S. rice exports have changed over the past 30 years. Changes in political relations and improved production in foreign countries have redefined their positions from net importers to self-sufficiency or net exporters. In the 1950's, Cuba, India, Pakistan, and Indonesia were the biggest markets for U.S. rice. In the next decade, India, Pakistan, and Indonesia remained strong markets, but demand for U.S. rice grew in Western Europe, South Korea, South Vietnam, and South Africa. Japan was a significant importer of rice through 1966. By the end of the 1960's, India ceased importing U.S. rice. Pakistan became a major exporter. Relations were severed with Cuba early in the decade, ending rice trade, but markets opened in the Middle East and Africa. During the 1970's, the Middle East and Africa developed into two of the strongest markets for U.S. rice. Asian markets, with exception of Indonesia, have come and gone throughout the decade. The European Community and Canada have remained stable but small markets for U.S. rice.

For the U.S. role in world markets, there appear to be two critical issues. The first is growth in total world demand. World rice production has been increasing at an annual average rate of 3 percent for the past decade. Although world exports increased rapidly from about 7.5 million tons to 12 million, world trade has remained stable for the past 6 years at that level. If world exports continue at this level, the distribution of world trade—the sources of supply and demand—will become more important. The data on historical trade shares suggest that future growth in the market will depend heavily on developments in Africa and the Middle East. While Asian nations have reduced their shares of trade and those of the developed countries have been stagnant, Africa and the Middle East have increased their importance. This increased role has been a result of income growth, growth in urban population, policies which stimulate consumption and dampen production increases, and the slow adoption of high-yielding varieties. As the cost of consumer subsidies in these nations rise, consumer prices may have to be raised. If self-sufficiency policies are adopted, or an increase in the rate of adoption of high-yielding varieties is encouraged, the growth in world import damand could weaken further.

The second issue is assessing the outlook for rice exports is the U.S. policy response to developments in world rice markets compared with policies selected by other exporters—notably Thailand. Thailand has moved toward more competitive marketing practices. The United States has allowed its loan rate to provide price protection for its competitors. As a result, the U.S. share of world trade has remained stagnant, while that of Thailand has increased. The impact of high U.S. rice prices on U.S. exports is evident when prices are compared with those of Thailand. As the gap between United States and Thai prices for milled rice has widened, U.S. exports have declined as buyers switch to Thai rice.

The cost of rice price support programs, while relatively minor compared to wheat, feed grain, and cotton, have increased dramatically over recent years. (Exhibit C10). In addition, for fiscal years 1983–85, these expenditures were the highest, as a percentage of the value of rice crops, averaging 54 percent.

EXHIBIT C10.—FARM-RELATED PROGRAM COSTS FOR RICE, FISCAL YEARS 1961–83

[Millions of dollars]

Fiscal year	Direct price support or deficiency	Diversion	Disaster	Exports [1]	Loan operations		Net price support and related expenditures [2]	P.L. 480 expenditures	Total
					Outlays	Repayments			
1961				18.6	67.0	26.7	29.5	109.8	139.3
1962				30.1	42.3	21.8	27.7	88.8	116.5
1963				24.1	39.8	20.5	44.1	123.4	167.5
1964				38.8	43.3	25.9	52.4	125.8	178.2
1965				38.3	51.2	34.7	49.7	103.3	153.0
1966				42.4	61.6	47.4	51.6	62.0	113.6
1967				22.0	79.9	69.7	29.5	143.9	173.4
1968				1.9	90.0	80.6	11.2	142.3	153.5
1969				3.2	128.4	85.6	45.8	187.3	233.1
1970				13.7	132.5	107.2	38.6	182.3	220.9
1971				17.8	110.0	90.7	41.6	175.8	217.4
1972				24.8	190.3	159.4	5.4	233.9	239.3
1973				21.8	138.3	137.2	21.6	259.4	281.0
1974				[5]	136.5	122.0	14.7	322.6	337.3
1975					75.6	73.0	[5]	285.3	285.3
1976 [3]			[5]		225.9	35.7	205.7	242.3	448.0
1977	128.3		0.7		156.6	146.0	144.6	164.2	308.8
1978	.1		3.7		127.6	122.2	−66.1	148.8	82.7
1979	58.0		.7		177.0	171.6	49.5	136.0	185.5
1980	0		1.4		169.4	180.0	−75.8	193.7	117.9
1981	0		2.4		253.3	174.6	24.0	168.9	192.9
1982	21.5		.1		360.3	210.1	163.5	116.5	280.0
1983	397.1	12.0			538.6	302.8	664.4	130.0	794.4
1984 [4]	102.9	10.9			563.6	325.9	332.9	128.9	461.8
1985 [4]	518.4	95.9			480.9	317.5	779.6	130.9	910.5

Leaders = Not applicable.

[1] Commodity export payments.

[2] Direct price support or deficiency, disaster, and export payments plus Government expenditures for storage and handling, transportation, processing, and packaging, loan collateral settlements, loan purchases, and other expenses less sales proceeds, loan repayments, and other receitps. A negative sign indicates net receipts.

[3] Includes July-September 1976 to allow for shift from July/June to October/September fiscal year.

[4] Estimated.

[5] Less than $50,000.

PURPOSE AND NEED

The Committee has adopted provisions that continue authority for operation of wheat, feed grain, cotton, and rice programs in much the same manner as current programs. Nonrecourse commodity loans, target prices, and voluntary production controls will continue as the basic instruments of farm policy.

The Committee believes that present farm policy tools are adequate, if used correctly and if flexible enough to respond to changing conditions.

The Committee has, however, adopted several significant provisions that change the traditional way some of the current policy tools are used.

Specifically, the Committee has adopted provisions whereby: wheat producers will be given the choice to implement a mandatory marketing quota program through referenda; marketing loans and a market based loan rate formula will be operational; acreage bases will be calculated from an historical perspective; and producers will not be required to plant program crops in order to receive deficiency payments.

Mandatory supply control, price and income supports for wheat

The Committee provided two distinct wheat program options for the 1987 through 1989 crops of wheat: a mandatory marketing quota program and a voluntary program similar to the current wheat program. The mandatory marketing quota program may only be implemented if approved by wheat producers in a referendum. For the 1986 crop, and for the 1987-89 crops if marketing quotas are not approved, the wheat program would be voluntary. That program is described later in this report.

Mandatory production controls in the form of marketing quotas would be put in effect for the 1987 through 1989 crops of wheat if 50 percent of the wheat producers polled by the Secretary favor holding a referendum and if 60 percent of the wheat producers voting in such referendum approve the quotas.

Marketing quotas have been used in the past as a means of controlling production. They work by restricting the amount of wheat each producer may sell from a farm in any given year. They are most effective when every producer is, by law, required to abide by the quota established for each farm.

By limiting the amount of wheat that may be sold, producers have no incentive to expand production and the amount of wheat available to the market is reduced. The dynamics of agricultural commodity markets are such that, by restricting the amount of wheat available, prices will increase in the short run for U.S. producers.

A good example of this price response was evident in the 1983 crop production reduction that resulted from drought and the payment-in-kind acreage reduction program.

Marketing quota, loan rates, and target prices

If marketing quotas are approved, nonrecourse loans would be made available to wheat producers for the 1987-89 crops at the higher of 75 percent of the national average cost of production or

$3.55 per bushel. Target prices for the 1987-89 crops would be the higher of the national average cost of production or $4.65 per bushel.

The marketing quota program adopted by the Committee utilizes the traditional commodity loan program to support prices and the traditional target price deficiency payment mechanism to support producer income. However, depending on the degree of wheat marketing reductions implemented through the quota program, wheat prices may be high enough to render the commodity loan and target price deficiency payment mechanism relatively nonoperational.

Increasing wheat loan rates and target prices from their current levels of $3.30 per bushel and $4.38 per bushel, respectively, is consistent with the high wheat prices that may be expected under a program that restricts wheat marketings.

Farm acreage base

If marketing quotas are approved, the individual farm program acreage on which deficiency payments would be made would be equal to the acreage on the farm that the Secretary determines is sufficient to produce the quantity of wheat eligible to be marketed from each farm (i.e., the farm marketing quota).

Because deficiency payments are determined by multiplying a payment rate by a certain number of acres on each farm, this system will help prevent the Secretary from making deficiency payments on wheat production that is in excess of the marketing quota.

Marketing quotas

The Committee adopted provision provides that marketing quotas will be used to control production in the case of a mandatory wheat program.

Each farm will be allocated a quota that will establish how much wheat may be marketed from that farm in a given year. The quota will be determined for each farm by application of an apportionment factor specified in the bill. The national apportionment factor will adjust the quota so that it reflects the total amount of wheat needed for export, domestic use, food aid programs, and adequate carryover stocks minus imports.

Farmers may carryover wheat produced in one marketing year and market that wheat in the next marketing year without penalty if the total amount of wheat available for marketing from the farm in the year from which the wheat is carried over does not exceed the farm market quota or the amount of wheat produced and/or carried over does not exceed the farm marketing quota in the succeeding marketing year.

Enforcement of the marketing quota is achieved through imposition of penalties on wheat marketed in excess of the farm marketing quota. Such penalties would be equal to 75 percent of the national average price of wheat in the previous year.

VOLUNTARY SUPPLY CONTROL, PRICE AND INCOME SUPPORT FOR WHEAT, FEED GRAINS, COTTON, AND RICE

Loan rates

For the 1986 through 1989 crops of wheat, feed grains, upland cotton, and rice (except for the 1987 through 1989 crops of wheat if marketing quotas are in effect), the Committee bill establishes a mechanism that will permit the loan levels for these crops to be related more closely to market prices. The Committee believes that loan rates must be reduced in order to restore the competitive position of U.S. commodities on the world market and to remove the inducement for additional investment to expand agricultural production in the United States and abroad.

An underlying loan rate formula that is similar to the current cotton and soybean formulas has been adopted by the Committee. This formula may eventually have the effect of the Secretary exercising authority to establish nonrecourse loan rates between 75 and 85 percent of the previous 5-year simple average price received by farmers, excluding the high and low years.

Establishing loan rates within this range of historical market prices should, in most years, provide producers, both in the U.S. and abroad, with production signals that reflect market conditions.

Through the use of this formula, world agricultural supply and demand should be more closely balanced and the comparative advantage of U.S. agriculture will be utilized to the benefit of U.S. farmers and the economy as a whole.

The Committee agreed that such a loan rate formula should be phased in, and, therefore, for the 1986 crop, established the non-marketing quota wheat loan rate at $3.00 per bushel, the corn loan rate at $2.40 per bushel, cotton at 55 cents per pound, and rice at $7.20 per hundredweight. Under the bill, there can be no more than a 5 percent reduction of the loan rate in any subsequent year from the preceding year's loan level. In no case could the cotton loan rate be less than 50 cents per pound and the rice loan rate less than $6.50 per hundredweight.

These loan levels and the restriction on downward reductions reflect the Committee's belief that many producers are not in a position to absorb sudden adjustments in Federal farm programs.

However, the Committee believes that the noncompetitive position of U.S. commodities on the world market requires additional mechanisms to help prevent U.S. loan rates from interfering with export sales and encouraging production abroad.

Therefore, the Committee adopted a so called "marketing loan" for wheat, feed grains, cotton and rice and also approved a modified "Findley" provision for wheat and feed grain loans.

In general, under the marketing loan provision, the Secretary must allow repayment of the original commodity loan at the higher of (a) the world market price, or (b) 70 percent of the original loan rate in the case of wheat, feed grains, and rice, and 80 percent in the case of cotton.

The marketing loan mechanism is a new feature of the commodity loan program. It will allow producers to repay loans at levels below the original level at which the loans were extended.

By allowing commodity loans to be "discounted" in this manner, some of the negative effects of the current loan program may be negated. Specifically, the "world price floor" presently provided by our loan rates would be reduced. This price floor has prevented U.S. products from competing on international markets and has, in part, been responsible for increased production and export competition from abroad. This feature of the bill will also help prevent the present condition of forcing the Government to acquire and store commodities if market prices fall below the loan rate.

The Committee believes that if other factors such as target prices and production control programs do not interfere, the loan discounting mechanism provided through the marketing loan will allow U.S. commodities to move on world markets rather than be held in Government storage programs.

Also, for wheat and feed grains only, if the average market price received by farmers in the previous year is not more than 110 percent of the loan rate for that year, the Secretary may reduce the loan rate for the next year by up to an additional 20 percent from the loan rate authorized by the underlying formula.

This provision is known as the Findley amendment and was included in the 1981 farm bill. It is a mechanism that allows the loan rate to be reduced if market prices are close to the loan rate in the previous year. The Committee bill changes the trigger which allows the Secretary to use the Findley amendment. Under current law, the reduction is permitted if market prices are within 105 percent of the loan rate. Under the bill, the reduction is permitted if market prices are within 110 percent of the loan rate.

Past experience shows even though loan rates are influencing the market price, the market price will be held slightly above the loan rate. This is because the interest on the loan is waived if the commodity is forfeited and this as a practical matter, raises the loan effective rate and market price, making it more difficult for the market price to move to within 105 percent of the loan level. Therefore, the Committee believes that market prices that are within 110 percent of the loan rate warrant giving the Secretary the option of reducing loan rates.

Further, the maximum level of reduction under the so-called Findley provision has been increased by the Committee from up to 10 percent to up to 20 percent of the loan rate. This increase will give the Secretary more flexibility to adjust loan rates in accordance with market conditions.

Under the Committee bill, the marketing loan would remain in effect even if the Findley provision is used by the Secretary. In such a case, loan redemption rates would be allowed at either 70 percent of the loan rate that would have been in effect for wheat and feed grains had the Findley provision not been used, or the world market price, whichever is higher.

The Committee adopted a provision providing that cash benefits resulting from repayment of loans at a level less than the original loan level through use of the marketing loan and direct deficiency payments resulting from the use of the Findley provision would not be subject to the $50,000 payment limitation.

Exempting such payments and benefits from the $50,000 payment limitation will increase the likelihood that large producers will participate in Federal farm programs. Because large producers contribute a major share of total production, production control programs can be more effectively carried out with the participation of such producers.

The Committee is concerned about evidence that loan rates for rice may be distorting the relationships among types of rice. There are three major types of rice, each having different processing characteristics, milling differences, and values.

In carrying out the rice price support program, the Committee intends that the Secretary of Agriculture use his discretionary authority and adjust the differentials on loan rates for different types of rice in a way that will minimize distortions in production, pricing, and supply.

Target prices

The Committee bill establishes two different target prices for nonmarketing quota wheat that would be applicable to different levels of production.

Under the Committee bill, the wheat target price would be $4.55 per bushels on the first 20,000 bushels of production, and $4.00 per bushel on all remaining bushels of production. Historically, 80 to 85 percent of wheat program participants produce less than 20,000 bushels of wheat. These participants would receive the higher $4.55 payment rate. Because wheat deficiency payments are higher for this group, the effective national target price has been raised from $4.38 per bushel to approximately $4.50 per bushel.

The Committee bill freezes these wheat target prices for the four-year life of the bill. In addition, the Committee adopted a four-year freeze of current target prices for corn at $3.03 per bushel, cotton at 81 cents per pound, and rice at $11.90 per hundredweight. The Committee believes that the current financial stress many wheat, feed grain, cotton, and rice producers are encountering precludes any change in the target price level from which direct Government income subsidies are calculated.

Acreage controls

The Committee adopted provisions continuing current acreage control authority. Such controls may be in the form of acreage limitations or acreage set-asides. However, the Committee is concerned about the adverse impact of large acreage control programs and has, therefore, limited the maximum acreage limitation for wheat to 20 percent, feed grains to 15 percent, cotton to 20 percent, and rice to 35 percent of the farm acreage base. Any set-aside percentage could not exceed these maximums either.

The Committee bill authorizes paid acreage diversions to be used in conjunction with or independent of acreage limitations or set-aside programs if determined by the Secretary to be necessary, but such paid acreage diversions could not be used to increase the maximum acreage reduction authorities.

The Committee's action to limit the size of acreage reduction authorities in conjunction with the Committee action on loan rates are important steps in restoring the competitive position of U.S. agriculture on the world market and allowing producers to maximize profits from as many acres as possible.

Haying and grazing of diverted wheat acres

The Committee adopted a provision requiring that, at the request of State ASC Committees, wheat producers who divert acres from production through participation in an acreage reduction program in 1986 will be permitted to hay and graze such diverted acres in all but any 5-consecutive-month period determined by that State Committee.

In the 1987 through 1989 crop years, only grazing would be allowed on wheat diverted acres, at the request of State Committees, for all but any 5-consecutive-month period determined by such State Committees.

The Committee action allows individual State ASC Committees to determine if haying and grazing will be permitted on diverted wheat acres, although the Secretary would still have authority to establish the terms and conditions of that activity.

Acreage bases

The Committee is concerned that past wheat, feed grain, cotton, and rice acreage bases have not reflected the actual national utilization of cropland acres and finds that there is a significantly larger number of base acres than could be practically planted in any one year. Current law allows the Secretary to permit rapid growth in individual farm acreage bases as well as allowing multiple commodity bases on individual farmland acres.

Therefore, the Committee has adopted a formula for determining acreage bases that is intended to more accurately reflect the actual national acreage base. For wheat and feed grains during each of the 1986–89 crops, individual farm acreage bases will be determined by calculating a simple average of the acreage planted or considered planted in the immediately preceding 5 crop years.

For cotton and rice, the Committee adopted a provision whereby the individual farm cotton and rice base will gradually become a 5-year rolling average. In crop year 1986 the base will be established as an average of the 1984 and 1985 base. In each succeeding year, the most recent year's base history will be added to calculate a simple rolling average with a maximum of 5 years most recent history in the calculation.

The Committee also adopted provisions requiring that no farm should have a cumulative acreage base for all program crops that is larger than the total number of acres on that farm.

The Committee believes that these provisions will reduce incentives for nonparticipant base building, and make acreage diversion programs more efficient and cost effective.

Other payments

Because of possible market price movement below loan and purchase levels through use of the marketing loan, increased producer participation in farm programs is expected. Increased participation will increase outlays associated with disbursing commodity loans and deficiency payments.

The Committee believes that many producers would forgo receiving loans on their wheat, feed grains, cotton, or rice if they could be protected from unanticipated price reductions due to the Secretary's use of the marketing loan mechanism.

Such producer price protection and cost reduction may be achieved through providing payments to producers who forgo use of the nonrecourse loan program. The Committee bill authorizes the Secretary to make such payments based on the amount of wheat, feed grains, cotton, or rice, the producer is eligible to put under loan multiplied by the loan discount rate applicable to the marketing loan (that is, the amount by which the loan repayment level is less than the original loan rate).

In addition, the Committee bill authorizes the Secretary to make payments-in-kind to producers who elect to forgo receiving deficiency payments, use of the loan program, and who agree to comply with the least 50 percent of any acreage reduction program in effect. Payments-in-kind, equal to the marketing loan discount rate may be provided to such producers subject to the availability of CCC stocks.

Making payments to producer who agree to forego using the loan program and/or payment-in-kind to producers who forego use of the loan program and deficiency payments, but comply with 50 percent of any acreage reduction program in effect, may be a cost effective means of reducing the overall cost of farm program.

Discretionary acreage diversion

The Committee is concerned that past acreage reduction authority required producers to plant their entire permitted acreage in order to receive deficiency payments even though wheat, feed grains, cotton, and rice have been in enormous surplus.

Therefore, the Committee bill includes a major departure from past commodity programs. Under the bill, producers will no longer be required to plant any of their permitted acres to program crops in order to receive deficiency payments for those crops.

However, producers must at least plant program crops or a nonprogram crop on 50 percent of their permitted acres. The remaining 50 percent of the permitted acres may be planted to the program crop, nonprogram crops, or used for conservation purposes as determined by the Secretary.

This provision is intended to allow producers complete flexibility in their operations without risking the loss of income payments.

Disaster payments

The Committee adopted provisions extending disaster payments for low yield and prevented planting.

The Committee also continued provisions of current law making producers ineligible for such payments if Federal crop insurance is available to the producers. However, the Committee bill clarifies that availability of Federal crop insurance would be determined separately for law yield payments and for prevented planting payments.

Study of wheat loan and deficiency payment rates for wheat classes

The Committee is concerned that one national wheat loan rate and target price may be inappropriate for the current 5 distinct classes of wheat.

Therefore, the Committee bill directs the Secretary to conduct a study to assess the feasibility of establishing separate loan rates and target prices for each class of wheat including recommendations for legislative changes if needed.

TITLE VIII—PEANUTS

BACKGROUND

Peanuts in the economy

Peanut production is of vital importance to the United States, particularly to the economies of the principal peanut producing states of Georgia, Alabama, North Carolina, Texas, Oklahoma, Virginia, and Florida.

Other states produce lesser amounts of peanuts, including Arkansas, California, Mississippi, Arizona, Louisiana, Missouri, New Mexico, and Tennessee. The farm value of the 1983 crop was $786 million, produced on approximately 21,000 farms.

There are three peanut-producing regions. The Georgia-Florida-Alabama (GFA) region is referred to as the Southeast; the Texas-Oklahoma region as the Southwest; and the Virginia-North Carolina region, is known as the Virginia-Carolina (VC) region.

Seven States grow 98 percent of the U.S. peanut crop. Georgia is the leadig peanut-producing state, accounting for about 40 percent of U.S. production. In the period 1981 to 1983, the Southeast produced 65 percent of the peanuts, the Southwest 16 percent, and the Virginia-Carolina region 19 percent.

Three main types of peanuts are grown in the United States: Florunner, Virginia, and Spanish. The Southeast region grows mostly the medium-sized kernel runner peanuts. The Southwest region grows two-thirds Spanish and one-third runner. The Virginia-Carolina region grows mostly the large-kernel Virginia peanuts. A fourth type, the Valencia, is grown in New Mexico.

In 1982, runners accounted for about 67 percent of peanuts used in domestic edible products, Virginia peanuts accounted for about 15 percent, and the Spanish type accounted for about 7 percent.

Peanut production is a small-farm affair. Of the farms harvesting peanuts in 1978, nearly 70 percent had harvested acreage of less than 50 acres, and less than 1 percent had harvested acreage of over 500 acres. Of the peanuts harvested, over one third came from farms havesting 100–250 acres. The large number of farms harvesting less than 50 acres of peanuts accounted for about 22 percent of the total.

Peanut poundage quota is distributed among farmers in 16 states, but nearly all of the quota is allocated in the seven major peanut-producing states. In 1982 Alabama was allocated 322 million pounds, Florida 103 million pounds, Georgia 988 million pounds, North Carolina 265 million pounds, Virginia 190 million pounds, Oklahoma 161 million pounds, and Texas 318 million pounds.

Major uses

Peanuts have two major types of uses—for direct human consumption as peanuts or manufactured peanut products and for crushing into vegetable oil and protein meal. U.S. peanuts derive most of their value from use of the seed as an edible nut, both in-shell and shelled, and in edible products, such as peanut butter and peanut butter crackers and cookies. The largest domestic food use is for manufacturing peanut butter which requires about one half of the domestic production. Peanut butter is a high quality protein source with a relatively low price compared to other high protein foods. Packaged nuts account for almost one-third of all processed peanuts. Some of these are roasted and packed in the shell, while a much larger quantity is used as shelled peanuts packed as dry roasted peanuts, salted peanuts, or salted mixed nuts. Dry roasted and salted peanuts compete with other edible nuts such as almonds, cashews, and pistachios.

U.S peanuts that are crushed for their oil and meal value are generally those that are rejected because of quality factors, or diverted from edible channels because of oversupply of a certain type. Peanut oil and peanut meal face strong price competition from products derived from soybeans, cottonseed, and sunflowerseed. The oil is ordinarily at least twice as valuable per pound of peanuts as the meal. Peanut oil is a high quality vegetable oil with a high temperature smoke point which is valuable in its most important use as a salad and cooking oil. The peanut meal is about 50 percent protein and is mostly used in livestock feed rations. In the period 1981 to 1983, the U.S. peanut crush averaged 453 million pounds per year, or about 14 percent of peanut production. In comparison, soybeans crushed for oil and meal totaled more than 60 billion pounds.

U.S. peanut exports

The United States is the major world exporter of edible peanuts. Although we account for only about 10 percent of world peanut production, our share of world trade is almost 50 percent. U.S. peanut exports have risen more than elevenfold since the early 1960's to an average level of 323,000 metric tons for the period of 1980 to 1982. About 75 percent of U.S. peanut exports are for edible use while 25 percent are oilstock exports for crushing. The value of peanut exports averaged $177.3 million for the period 1980 to 1982, or 2.6 percent of U.S. oilseed export earnings during this period. About 25 percent of the U.S. peanut crop was exported in the early 1980's, compared with about 3 percent in the early 1960's and 15 percent in the early 1970's.

Prior to 1970, U.S. peanut exports averaged less than 100,000 metric tons annually and accounted for less than 5 percent of world trade. Most of these shipments went to Canada as edible nuts. U.S. peanut exports increased in 1971 and continued expanding during the 1970's in line with rising domestic supplies, reduced marketings from the principal African exporters, and increasing demands in Canada, Western Europe, and Japan.

Outlook

There are several uncertainties facing the peanut industry over the next several years. Expansion in demand in the domestic food markets is expected to continue, and may accelerate if scientists develop new uses and market development succeeds. There is a vast untapped market for the export of peanut butter or peanuts to be manufactured into peanut butter abroad. Relatively little peanut butter is consumed outside North America, even though it is a low cost and high quality protein source. There could also be some expansion in the use of peanut oil to take advantage of its desirable properties, but it must compete against other vegetable or animal fats and oils for this market. The peanut has been an important source of food in the United States for many decades, and there is an opportunity for its importance to increase in the future.

However, because of extremely adverse weather conditions in the peanut producing regions in 1980, there was a 40 percent reduction in the available supply of peanuts. This created tremendous disequilibrium in the peanut economy. The relative unavailability of peanuts and the higher costs to consumers resulting from inadequate supply resulted in substantial substitution. Also, the worldwide recession in the early 1980's and the strong U.S. dollar slowed the recovery of the U.S. peanut trade by keeping demand down. Further, China, induced by higher prices brought on by the drought-stricken U.S. crop, emerged as a major exporter in 1980. Thus, the outlook for expansion of the peanut economy depends upon growth in the domestic markets and increased competitiveness in export markets.

The peanut program

Marketing quotas and acreage allotments have been in effect for peanuts since 1949 and import quotas since 1953. During deliberations on the 1977 farm bill, the peanut program was an issue because stocks of peanuts acquired through the price support program had become burdensome, and the costs of the program had become unacceptable. The minimum legal acreage allotment had been in effect since the 1957 crop and the support price based on 75 to 90 percent of parity had increased rapidly as inflation wracked the general economy. At the same time, per-acre yields had increased by more than 250 percent.

The peanut program was changed substantially by the Food and Agriculture Act of 1977. The new peanut legislation was adopted to reduce government costs and was envisioned as a transition for bringing production into line with demand with minimal economic hardship to peanut producers. The 1977 Act implemented a two-price poundage quota program. The acreage allotment system remained as an integral part of the new program, but each allotment holder was given a poundage quota. Producers could produce in excess of their quota, within their acreage allotments, but the quantity on which they could receive the higher of the two price support levels was limited to the quota. Peanuts in excess of quota are referred to as additionals. A minimum national quota was established at 1.680 million tons for 1978 and decreased 5 percent annually, to 1.440 million tons in 1981. A minimum support price for quota peanuts was set at $420 per ton, while the Secretary of Agriculture was permitted to establish a support price for additional peanuts based on world market conditions for peanuts and the expected price of peanuts for crush, and at levels that would result in no cost to the government.

While the 1977 Act was successful in reducing the net outlays for the peanut program, it was especially effective in providing for greater flexibility for the production of peanuts for the export and crushing markets. Peanuts produced in excess of the poundage quota, but within the allotted acreage, could be contracted for in advance for the export and crushing markets at competitive market prices and could be expected to enhance the position of the United States as the leading exporter of peanuts, especially of edible grade nuts.

The 1981 farm bill further modified the peanut program. It maintained the two-tier price system and continued the reduction in the poundage quota. A major change was the suspension of acreage allotments. Quota support prices are limited to quota holders and apply to the poundage quota, but since acreage constraints have been removed, anyone is allowed to produce and market peanuts. However, additional peanuts are only eligible for the market clearing price support, and they are subject to marketing controls. The use of additional loan peanuts in the domestic edible market requires paying a quota peanut price plus handling and storage costs. Contract additional peanuts are restricted to the export or crush markets. The contract deadline for additional peanuts for export or crush was moved from June 15 to April 15 on the grounds that June 15 was past the time crop planting decisions were made. The quota support price was established by law at no less than $550 per ton for the 1981 crop, up from $455 under the 1977 Act. Increases in quota support prices were set to reflect increases in the costs of production, but not to exceed 6 percent annually. The minimum poundage quota was reduced from 1.44 million tons to a level of 1.1 million tons in 1985. The annual percentage reductions were required to be shared equally among states, coming first from farms owning quota that did not have adequate tillable land; next, from farms where the quota was not planted in 2 of the past 3 years; then, from farms where the quota had been leased away to another farm; and finally, from farms producing their own quota. The objective was to get quotas into the hands of actual growers, which was achieved by the 1985 crop.

The peanut program is administered by three regional grower associations which act as agents for the Department of Agriculture. Pools are set up by area, type of peanut, by quota and additional peanuts, and by quality category. Commodity Credit Corporation profits from sales of additional peanuts for domestic edible uses are reallocated to offset any losses CCC has incurred on quota peanuts within a given pool. At the end of the crop year, the CCC balances its books on the loan operations with the area grower associations. If a net surplus remains for a given pool, the surplus is returned to the associations for distribution as dividends to those growers who had peanuts under loan in that pool. Net losses are absorbed by the Federal Government as a CCC budget expense. Losses have been negligible in recent years because of the reforms begun in 1977 and continued in 1981.

PURPOSE AND NEED

Peanut producers need the continued assistance provided under the bill, because of the unique nature of the commodity. Peanuts are a semiperishable crop which cannot be readily compared to wheat, feed grains, soybeans, rice, cotton, and other nonperishable crops. In the sense of being semiperishable, peanuts more resemble milk than those other commodities. Because the program operates as an orderly marketing mechanism for this semiperishable commodity, significant outlays would result from unlimited production. Consequently, peanut farmers have been willing to have their program operate with strict production controls in an effort to keep costs to the taxpayers negligible. The production controls are approved periodically in referendum.

The commercial trade does not provide warehouses and elevators where the individual farmer can store his peanuts and receive a warehouse receipt on which he can obtain a bank loan and against which he can subsequently sell a stated grade and quantity of peanuts. These services are not provided because of the unique and semiperishable nature of the commodity.

Each lot of peanuts, when delivered by the farmer, is a mixture of quality factors. Grading is difficult. Peanuts cannot be carried satisfactorily from one crop year to the next. They deteriorate in storage—in varying proportions from warehouse to warehouse, from one area to another, and from one year to another. Before moving into food use they require milling and must be separated into various grades and qualities.

For peanuts, the farmer needs assistance in obtaining inspection, storage, and financing until the peanuts can be sold in an orderly manner. This makes it necessary to commingle peanuts from many farms. The farmer also needs an effective mechanism to help in the marketing of his peanuts, as he generally cannot store and later obtain delivery of his own peanuts for sale from the storage warehouse.

With price support loans and related operations, the farmer has an effective means of obtaining the value of his peanuts in the primary food market. He also has a means for moving any production above food requirements into the secondary crushing and export markets in any orderly manner.

The program represents a compromise among the various peanut producing areas, and is supported by every peanut grower organization in the country, as well as by a large number of general farmer organizations on the national level. The program has the support of other elements in the peanut economy, including sheller organizations. However, it is generally opposed by manufacturers of peanut products.

The bill, as reported, seeks to provide the most optimum conditions by which farmers may earn fair profits in their efforts to supply ample quantities of the highest quality peanuts at reasonable prices to the consuming public. The bill reauthorizes and improves upon the peanut program provided for in the 1977 and 1981 Acts, and retains the essential thrusts of those Acts, with several modifications.

First, the bill seeks to be more flexibile in regard to meeting increased market demand. It requires the Secretary of Agriculture to increase the national poundage quota by the amount he estimates that domestic edible, seed, and related uses of peanuts would exceed the statutory level of 1.1 million tons. Increases in the national quota are required to be apportioned among the States so that each State's poundage quota is equal to the percentage of the national poundage quota allocated to farms in the State for 1985.

Second, the bill makes a number of changes with respect to the establishment of poundage quota for farms that currently do not have a farm poundage quota, thus making the peanut program available to those who either did not have a historical peanut allotment or a farm poundage quota. Under the bill, a farm poundage quota would be established for each farm that had a farm poundage quota for the 1985 crop (there are basically producers who had a peanut acreage allotment in 1981) but also for each farm on which peanuts were produced in at least 2 out of the 3 crop years 1983 through 1985. Also, if the national poundage quota is increased, the poundage quota apportionments would be allocated equally to both quota and nonquota growers, provided that the nonquota grower had produced peanuts on his farm 2 out of the last 3 years.

The bill also provides for reduction of a farm poundage quota to the extent the quota was not produced in 2 of the lst 3 years. Voluntary release of quota is also permitted. Quota that is reduced for failure to produce or voluntarily released would be allocated to farms that produced peanuts in 2 out of the last 3 years, with at least 25 percent of this quota being allocated to farms without quota.

Third, the bill increases the marketing penalties to 140 percent of the support price for producers and handlers. Previously, handler penalties were 120 percent of the support price. Also, penalties of 140 percent of the support price are imposed on importers of additional peanuts which had been exported from the United States.

Fourth, some physical requirements for exported additional peanuts have been relaxed to improve overseas sales potential.

Fifth, the deadline for contracting for the export or crushing of peanuts has been changed from April 15 to August 1 to allow growers more time to assess their planting and marketing objectives before making commitments on contracts.

Sixth, the bill provides that the 1986 national average quota support rate would be equal to the 1985 rate, adjusted to reflect the increase in the cost of producing peanuts during the period 1981 through 1985. For subsequent years the price support would be adjusted up or down to reflect any change in the cost of producing peanuts, excluding any change in the cost of land, and that in no event would any adjustment exceed 6 percent.

Seventh, the bill modifies the provisions of law relating to the area pools and the buyback from the pools. Currently, farmers may place additional or quota peanuts in the area pool and allow them to be redeemed by shellers into domestic markets within 72 hours. The provision sometimes allows additional peanuts in one pool to displace quota peanuts in another pool. Higher priced quota peanuts remaining in the other pool may be crushed, at Government expense In the past, three separate pools (Southwest, VC, and GFA) operated independently regarding the buyback provision even though redemption in one area could affect other pool profits. The bill provides that the buyback will remain intact, but a loss sharing requirement will exist among the three pools. Losses sustained from quota peanuts in a pool must be offset by profits from additional peanuts in that pool first. If there is inadequate profit from additionals, income from the other two pools will be used to offset the losses. This pool arrangement is designed to reduce Government cost exposure.

If no new legislation is passed, the peanut program will revert to the provisions of permanent legislation. This would entail a return to the allotment system and parity based price supports. Under current conditions, the immediate result would be surplus production and high Government costs.

TITLE IX—SOYBEANS

BACKGROUND

Soybean—production

The soybean industry is one of the fastest growing agricultural sectors: domestic production has increased almost sevenfold during the last three decades while world production has risen about fivefold. Soybeans accounted for over half the world production of major oilseeds in 1980/81–1983/84. Other major world oilseeds were cottonseed (16 percent), peanuts (11 percent), sunflowerseed (9 percent), rapeseed (8 percent), flaxseed (1 percent), and palm kernel (1 percent). With a farm value of $12.8 billion in 1984, soybeans rank as the number two value crop in the United States and are planted on about one-fifth of the principle crop acres. Soybean and Soybean product exports averaged $8.4 billion annually in 1980/82. The demand for soybeans is derived from the demand for the joint products of meal and oil. Both the meal and oil markets are very competitive, with a high degree of substitutability among high-protein sources and fats and oils.

U.S. soybean yields have followed a gradual upward trend the last 30 years, increasing by about 10 bushels per acre harvested. This was less than the 66-bushel yield increase for corn during the same period, yet soybeans remained competitive with corn because of the continued increase in demand, especially for its end product, soybean meal.

The average acreage planted to soybeans in the Lake States and Corn Belt region increased from about 11.4 million acres for 1950–52 to 37.8 million for 1980–82. Growth also occurred in the South (Appalachia, Delta, and Southeast), where the average acreage rose from about 3.5 million to 25.4 million. Although the Corn Belt continues to dominate soybean production, its share has declined from 74 percent in 1950–54 to 55 percent in 1980–83. In contrast, production in the South increased from 11 percent to 26 percent of total U.S. soybean production during the same period. The proportion of soybean production accounted for by the Lake States has remained around 10 percent, while the proportion in the Plains States doubled. Double-cropping of soybeans with another crop has increased since 1974, when 7 percent of the soybean acreage planted followed another crop, to 16 percent in 1982. The amount of double-cropped soybean acreage declined to 12 percent in 1983, reflecting the impact of the payment-in-kind (PIK) program, which prevented soybeans from being planted on conserving use acreage. Although the USDA Statistical Reporting Service (SRS) does not specifically report which crops soybeans follow, it is assumed that the majority of the double-cropped soybean acreage follows wheat.

The greatest potential for acreage expansion in the United States appears to be in the South. Soybeans are more competitive with other crops in the South, excluding price supported peanuts and tobacco, than in the Corn Belt. However, double cropped acreage dropped to 8 percent in 1985 and appears unlikely to recover to previous high levels anytime soon.

There is no indication of any major yield breakthrough in the near future. A slow upward trend in yield is expected to continue because of varietal improvements and improved management and production practices. But, yield increases may be tempered by efforts to lower costs by reducing inputs, coupled with larger acreages of soybeans grown on less productive land. Yields of double-cropped soybeans have traditionally been lower than single-cropped beans, but the increasing use of irrigation of double-cropped soybeans has narrowed this difference.

Soybean—use

Demand for soybeans is derived from the demand for the joint products of meal and oil. The complex interrelationships among supply, demand, and prices of these products shift considerably from year to year and these shifts change the relative importance of meal and oil in determining the demand for soybeans. Soybeans are primarily crushed as a high-protein meal source, although the value of oil has exceeded the meal value in a few years.

Soybean meal is the major high-protein meal fed to livestock. Soybean meal increased from 59 percent of the total protein fed in 1965/66 to 76 percent in 1982/83. Poultry account for about 45 percent of the current domestic soybean meal consumption, with broilers consuming slightly less than half of this amount. Hogs consume nearly a third of the soybean meal fed domestically. Strong interrelationships exist between number and kinds of livestock and soybean meal demand. The demand for soybean meal is also influenced by supplies and prices of competing meals such as cottonseed and sunflowerseed. Feed grain policies affect the profitability of livestock feeding and thereby alter the demand for soybean meal.

Soybean oil is the dominate vegetable oil used domestically in edible oil products. Since 1960, soybean oil and cottonseed oil have comprised about three-fourths of the total fats and oils used in edible oil products. But, the proportion of cottonseed oil declined from 22 percent in 1960 to 5 percent in 1982/83, while soybean oil use increased from 54 percent to 76 percent. Other fats and oils that compete with soybean oil in edible products domestically are corn, peanut, lard, edible tallow, coconut, and palm.

Soybeans dominate U.S. exports of oilseeds, with average export earnings for 1980–82 of $6.21 billion, representing 92 percent of oilseed export earnings and 15 percent of total U.S. agricultural export sales. The U.S. soybean industry has become increasingly dependent on the export market. About 42 percent of the U.S. soybean crop was exported as beans in the early 1980's, compared with 24 percent in the early 1960's and 37 percent in the early 1970's. The United States is the leading exporter. U.S. export shares have ranged from 73 percent in 1960 to 93 percent in 1970 and 1971. The emergence of Brazil as a major soybean exporters in the early 1970's, followed by Argentina in the late 1970's, caused the U.S. market to drop as low as 78 percent in 1975 before rebounding to around 83 percent in the early 1980's. The U.S. embargo on protein feeds in 1973 appears to have accelerated the expansion of the soybean industries in Brazil and Argentina. Major importers, particularly the EC and Japan, diversified imports after the embargo.

The EC and Japan are the major importers of soybeans. They accounted for 45 percent and 18 percent, respectively, of U.S. soybean exports in 1980–82. Other Western European countries, primarily Spain, imported 13 percent of U.S. soybeans; Taiwan, 4.5 percent; Eastern Europe, 2.3 percent; and the Soviet Union, 1.2 percent in 1980–82. The drop off in U.S. soybean exports since 1981/82 is attributed to the worldwide recession, the strong U.S. dollar which raises cost to importers, and competition from other oilseeds.

U.S. soybean meal exports have increased since the early 1960's, from 589,000 tons in 1959/60 to a high of 7.1 million tons in 1982/83 and have since declined to an estimated 4.8 million tons in 1984/85. The growth trend coincided with a growth in livestock production around the world and expanded use of high protein meals in feed rations. The primary outlets for U.S. soybean meal are the EC, Canada, and Spain. Eastern Europe became a major import market in the late 1970's, especially Poland, East German, Romania, and Yugoslavia. However, debt problems have limited exports to Eastern Europe in recent years.

The United States was the leadng exporter of soybean meal during the 1960's and through the mid-1970's, with its share of world trade ranging between 41 percent and 68 percent. However, in 1977, a decline in U.S. exports, coupled with a large increase in Brazil's exports, dropped the United States to second place in soybean meal trade that year. The United States regained its lead in 1978 and 1979 as a result of successive crop failures in Brazil, but has again fallen behind Brazil. U.S. exports have been off since the record 1979/80 level because of competition with Brazil and Argentina. The United States has also recently faced stiff competition from the EC, a major soybean processor, in Western and Eastern Europeans markets.

The U.S. soybean oil exports showed no discernible trend between 1960 and 1976, fluctuating between 327,000 tons and 790.000 tons. Exports rose from 1976 to 1980 in line with strong demand before falling off in 1981. The decline reflects (1) lower U.S. soybean oil production; (2) competition from other exporters, especially Brazil; (3) increased consumption of other oils, mainly palm and rapeseed oil; (4) worldwide recession and financial indebtedness of many countries; and (5) the high relative cost of U.S. soybean oil due to the U.S. soybean price support program and strong value of the U.S. dollar.

From its peak of 88 percent in 1962, the U.S. share of the world soybean oil market dropped to only 22 percent in 1981. The EC emerged as a net exporters in the mid-1960's, and Brazil and Spain became large exporters in the 1970's.

Soybean—outlook and situation

U.S. soybean production this year should approximate 2.1 billion bushels, a substantial increase from 1984's 1.86 billion. The September 11, 1985 Crop Production report indicated that farmers had planted 63.2 million acres, down from last season's 67.7 million; however, the anticipated yield, 32.2 bushels per acre, based on trend will be responsible for the likely rise in production.

Larger beginning stocks for 1985/86 will increase total soybean supplies by over 16 percent from 1984/85. Total use is likely to rise only 5–6 percent over last season, so stocks will build sharply. Ending stocks for 1985/86 are projected at a record 555 million bushels, 245 million above the forecast 1984/85 carryout.

Since 1983/84, the soybean market has been characterized by tighter-than-normal soybean oil prices, but exceptionally low meal prices and abnormally large soybean meal stocks. This situation is likely to change in 1985/86 because of a dramatic drop in soybean oil prices and a slight stengthening in soybean meal prices; the crush for oil situation should reverse in 1985/86.

Domestic soybean meal use is expected to rise 2 percent in 1985/86 from the previous season, reflecting another increase in broiler production, which has been profitable the past several years. In contrast, the hog sector has not rebounded after the short 1983 grain and oilseed crops forced a downturn in production. Pork imports and ample supplies of other meats relative to demand have kept meat prices moderate and discouraged expanded output.

Soybean meal demand has been provided by low prices while soybean oil prices have fallen as exports have fallen and foreign palm oil output continues to rise. Domestic oil use is forecast to climb slightly in 1985/86.

Ample world oilseed production and stagnant world meal demand are the major factors behind the grim outlook for U.S. exports of soybeans and products (Exhibit S1). Although soybean shipments could inch up to 675 million bushels in 1985/86, they would come on the heels of a poor 1984/85 export movement. Meal exports are forecast to rise 100,000 tons to 4.8 million, while oil shipments may decline to 1.50 billion pounds from an estimated 1.7 billion in 1984/85.

Because soybean loan rates have generally been below market prices and there are no target prices deficiency payments for soybeans, net program expenditures, although rising, are inexpensive relative to the volume and value of soybean crops. (Exhibit S2.)

EXHIBIT S1

SOYBEAN PRODUCTION

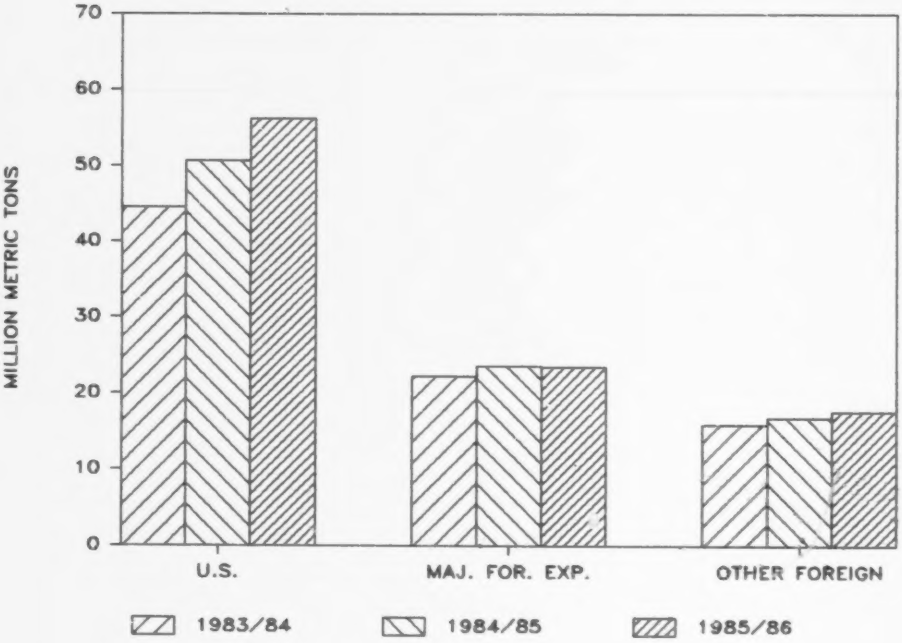


EXHIBIT S2.—FARM-RELATED PROGRAM COSTS FOR U.S. SOYBEANS [1]

[In millions of dollars]

Fiscal year	Loan operations		Net price support and related expenditures [2]
	Outlays	Repayments	
1961	46.1	48.5	−48.7
1962	263.3	105.3	164.3
1963	149.8	111.3	−93.3
1964	154.7	111.1	31.1
1965	64.1	124.6	−88.2
1966	193.1	189.6	[3] 3.8
1967	372.6	220.9	151.6
1968	501.1	266.1	239.0
1969	850.2	358.5	512.7
1970	422.6	439.2	−160.7
1971	321.2	415.9	−606.5
1972	376.0	430.4	−64.9
1973	202.1	222.8	−20.7
1974	278.2	251.6	26.4
1975	78.1	99.9	−21.9
1976 [4]	.7	9.1	−8.4
1977	56.9	52.1	4.8
1978	340.2	309.0	31.1
1979	288.7	284.8	3.5
1980	549.1	485.1	116.0
1981	672.3	581.7	86.7
1982	1,105.9	935.9	169.2
1983	1,981.7	1,674.8	287.7
1984	505.3	944.9	585.0
1985 [5]	1,386.0	743.0	643.0

[1] Excludes Public Law 480 commodity costs.

[2] Loans and purchases, storage and handling, and other outlays such as transportation, procedures' storage payments, loan collateral settlements, export embargo contract expenses less sales proceeds, loan repayments, and other receipts.

[3] Includes $0.4 million commodity export payment.

[4] Includes July to Sept. 1976 to allow shift from July/June to October/September fiscal year.

[5] Forecast.

PURPOSE AND NEED

The Committee has adopted provisions extending current soybean price support authorities. Only loans and purchases are extended to producers of soybeans. There are not authorities for soybean target price deficiency payments or acreage diversion programs.

Soybean loan rates are established as 75 percent of a 5-year moving market average excluding the high and low years but no lower than $5.02 per bushel.

If the Secretary determines that market prices are 105 percent of the loan rate in any marketing year, he may reduce the soybean loan rate by up to 10 percent, but no lower than $4.50 per bushel.

TITLE X—SUGAR

BACKGROUND

About two-thirds of the sugar consumed in the United States is produced domestically (35 percent from sugarbeets and 30 percent from sugarcane) and the balance is imported. The farm value of the sugar crops produced in the United States, excluding Puerto Rico, whose crop values are not reported for the 1982 crop year, was $1.53 billion or 2 percent of the total value of all principal crops.

Production characteristics

The sugar industry consists of: (1) the production and harvest of sugarcane and sugarbeets, (2) the extraction of raw sugar from sugarcane, (3) the refining of raw sugar and the processing of sugarbeets into commercial grades of sugar, and (4) the distribution of refined sugar among consumers.

Sugarcane production

Sugarcane, a tall perennial grass, is grown in tropical and semitropical climates. Two to four crops (ratoon crops) are harvested from the original plantings, unless the plant is impaired or destroyed by frost, disease, or other causes.

Most sugarcane production and harvesting operations in the United States are mechanized. In Florida, however, two-thirds of the sugarcane is cut by hand.

Production areas

Florida, Hawaii, Louisiana, Texas, and Puerto Rico grow sugarcane. During the 1982 crop year, the four States harvested 718,000 acres of sugarcane for sugar that produced 28.4 million short tons of sugarcane, 39.6 net short tons per harvested acre. Florida and Louisiana accounted for about 83 percent of the 1982 sugarcane acreage and 65 percent of the support program, harvested 1.6 million short tons of sugarcane from 55,000 acres.

Preliminary estimates for the 1983 sugarcane crop indicate that 728,800 acres were harvested for sugar and produced 28.5 million short tons of sugarcane or 39.1 net tons per acre.

Florida's sugarcane production has expanded significantly since 1960 when the United States ceased importing Cuban sugar. In the 1980's Florida became the largest cane producer in the United States, accounting for 43 percent of production in 1982. Most of the sugarcane is produced on organic soils along the southern and southeastern shore of Lake Okeechobee in southern Florida, the majority of which is land brought into production after 1960. In addition to having highly fertile soil, the area has a long growing season and generally warm winters.

In Louisiana, most sugarcane production has been confined to the Delta where the soils are fertile and the climate is warm. However, freezing weather occurs every year which makes the growing season shorter than in other States. The yields are lower because the cane is generally harvested before maturing fully.

Texas sugarcane is produced in the lower Rio Grande Valley located in the southern tip of the State. This area has a subtropical climate characterized by long hot summers and short mild winters. However, crops in the area in recent years have suffered from frequent killing freezes. Production of sugarcane started with the 1973 crop.

Sugarcane is produced on Hawaii's islands of Hawaii, Kauai, Maui, and under a wide variety of conditions. On the island of Hawaii, the leading production area, harvest is 2 years. In recent years, Hawaii has lost its ranking to Florida as the largest U.S.

producer of sugarcane, but its average yield of 98.6 net short tons of sugarcane per harvested acre in 1982 was almost three times higher than the average yield in the other domestic sugarcane areas and the highest yield in the world. The high sugarcane yields in Hawaii are due to its unique year-round growing season, ideal climate, and biennial harvest pattern.

Beet sugar production

The sugarbeet is a cool-weather plant that grows most successfully in northern latitudes. However, the plant adapts to many climatic conditions. In the United States, sugar beets grow in the hot climate of the Imperial Valley of California as well as in the colder climates of Minnesota, Montana, and North Dakota.

Sugar beets are grown in the United States on many soil types, but generally prefer soils ranging from clay loam to the fine sandy loams. Beets require a well-drained, deep, and permeable seedbed of good moisture-holding capacity. The sugar beet is a deep-rooted plant that often extends its roots to a depth of 6 to 8 feet. Sugar beets respond to highly fertile soils better than many other crops. Most sugar beet growers plant sugar beets in a 3- to 5-year crop rotation with other crops.

Production areas

The leading States, Minnesota, California, Idaho, and North Dakota, accounted for 68 percent of the 1982 crop sugar beet production of 20.9 million tons. Growers planted 1.1 million acres of sugar beet for the 1982 crop and harvested 1 million acres. The average yield was 20.3 tons of beets per harvested acre. The 1982 production was the lowest recorded since 1967. The recent decline in production is largely attributable to the closing of sugar beet processing plants in several States.

An estimated 1.1 million acres of sugar beets were harvested in 1983, yielding 21.1 million short tons of sugar beets or 19.2 short tons per acre.

Sugarcane processing

Sugarcane must be processed into raw sugar before it can be refined. This processing must be done within hours after the cane is cut because the sucrose starts breaking down, resulting in lower yields. This breakdown is accelerated when the sugarcane is burned to remove the leaves prior to harvest.

Sugarcane mills are located near the cane plantations to minimize transportation costs and the loss of sugar once the cane is cut. Sugarcane processors receive sugarcane from independent growers of cooperative members, or produce it themselves.

In order to convert sugarcane into raw sugar, the juice from the sugarcane stalk is extracted, clarified, boiled, and crystallized. The raw sugar, usually 96 to 99 percent pure, is then shipped to a refinery for further processing into refined sugar.

By-products of sugarcane milling include blackstrap molasses and bagasse. Molasses is used mainly for cattle feed while bagasse, the fibrous residue from milling, is used principally as fuel in the raw sugar mill. Some bagasse is also used as raw material in the manufacture of building materials and certain chemicals.

Cane sugar refining

Cane sugar refineries buy raw sugar from both domestic and foreign sources and process it into a usable product. Refiners receive, refine, and distribute sugar throughout the year and are not restricted to any seasonal production patterns.

Most of the refining facilities in the United States are located at ports of entry near densely populated areas. This gives refiners easy access to offshore raw sugar from which about half of the sugar consumed is produced. Also, this location allows refiners to maximize their volume of sales and minimize their cost of transporting refined sugar to consumers and food manufacturers.

Cane sugar refining is a complex process that involves transforming raw sugar into refined sugar. Prior to refining, raw sugar crystals are surrounded by a film of molasses along with a number of impurities, all of which must be removed during the refining process. Refining consists of washing the raw sugar, melting it into a sirup, filtering the sirup, and drying and packaging the sugar.

During 1983, 19 cane sugar refineries operated in the continental United States and 1 operated offshore in Hawaii. These 20 refineries were owned and operated by 12 companies. The four largest companies accounted for 66 percent of the total refining capacity in 1983. All but two of the refineries are located on the east and gulf coasts.

Cane sugar refineries traditionally have provided 70 percent of the sugar consumed in the mainland sugar market. In 1982, cane refiners melted 6.2 million tons of raw sugar to produce 6.1 million tons of refined sugar.

Cane sugar refiners are the principal importers of raw sugar. In 1982, domestic refiners obtained about half of their raw sugar supplies from foreign sources. Under normal conditions for efficient plant operations of 250 days annually, the industry could refine 6.8 million tons of sugar.

Sugar beet processing

Sugar beet processors transform sugarbeets into refined sucrose and byproducts such as molasses and beet pulp. All beet-sugar companies rely on independent growers or members of grower cooperatives for their supply of sugarbeets. Because yields are higher and diseases are reduced if sugarbeets are rotated with other crops, it is economically impractical for a sugar company to raise its own beets.

Beet-sugar companies locate their factories near large farming communities where beets can be successfully grown. The beets are grown under contract, which requires growers to deliver beets to the processor from a specified acreage. The beets are processed into refined sugar and the growers are paid a percentage share of the returns the processor receives.

After harvest, beets are prepared for processing. This usually includes receiving beets at the factory site, removing dirt and trash, storing the beets for a short period, final trash removal and cleaning of the beets, and conveying the beets to the factory slicers.

The beet-sugar manufacturing process consists of six stages: (1) diffusion, (2) juice purification, (3) evaporation, (4) crystallization,

(5) dried pulp manufacture, and (6) recovery of sugar from the molasses. After crystallization, the mass of crystals known as "massecuite" is fed into centrifuges which spin off the liquid surrounding the crystals. The crystals are then moved by conveyor to the drier or granulator to be dried and subsequently prepared for marketing as refined beet sugar.

U.S. sugar policy

There is a long history of government involvement in the sugar industry. The second act of the U.S. Congress in 1789 was to pass a tariff act on sugar in order to raise money. Modern support of the domestic sugar industry can be traced to the Jones-Costigan Act of 1934.

For the 40 years following enactment of this Act, it was the policy of the United States Government—for defense and strategic reasons—to preserve within the United States the ability to produce a substantial portion of its sugar requirements. This was believed necessary because sugar is an essential and vital food product needed by American consumers, the supply of which, on a worldwide scale, has been marked by periods of alternating scarcity and surplus.

In addition, because a large portion of the world's sugar is grown in tropical countries where cheap labor is abundantly available and because the major part of world production occurs in countries which provide protection or subsidy to their sugar producers, it was understood that without a support program, the amount of sugar grown in the continental United States would be minimal.

With the Jones-Costigan Act, the United States substituted quotas in preference to the tariff as the means for providing domestic producers with effective support. During the 40 years following the passage of this Act, there were a variety of changes in the specifics of the U.S. sugar program.

Under the Sugar Act of 1948 (Sugar Act) which expired in 1974, the Secretary of Agriculture estimated the annual quantity of sugar that could be consumed in the United States at a prescribed price objective. This price objective during 1972–1974 was the price for raw sugar that would maintain the same ratio to the average of the parity and wholesale price indexes as prevailed during the period September 1970 through August 1971.

The parity index was an index of farm expenses. The Act specified mandatory changes in quotas in an effort to attain the price objective if raw sugar prices varied from the price objective by more than a few percentage points. Many quota adjustments were necessary.

On June 6, 1974, at a time when sugar prices were approaching record high levels, the House of Representatives rejected amendments to extend the Sugar Act as proposed by the House Agriculture Committee. Thus, most of the provisions of the 1948 legislation expired on December 31, 1974, ending 40 year of U.S. sugar policy based on the Sugar Act and its predecessors.

After the demise of the Sugar Act and the record high levels of prices in 1974 and early 1975, prices began a steep, dramatic drop. From a high of nearly 60 cents per pound raw value, New York spot price, in November 1974, prices had fallen to a range of 7 to 9 cents per pound raw value, New York spot price, in the latter half of 1977.

These low prices, in the face of high production costs and declining sales, produced severe economic hardship for many domestic sugar producers. In response to the problems of the sugar producers, the Senate Finance Committee, in September 1976, directed the International Trade Commission to investigate whether increased imports of sugar were injuring or threatening to injure the domestic sugar industry.

On March 18, 1977, the U.S. International Trade Commission reported to the President, after a 6-month investigation under the import relief provision of the Trade Act of 1974 (19 U.S.C. 2251 et seq.), that sugar (largely raw and refined sugar from sugarcane or sugar beets) was being imported in such increased quantities as to be a substantial cause of a threat of serious injury to the domestic industry producing like or directly competitive products.

On May 4, 1977 the President announced his decision in response to the Commission's investigation. He determined that import relief under the Trade Act was not in the national economic interest. Instead, the President recommended a progam under existing agricultural legislation to provide income support for domestic sugar producers which would make up the difference between U.S. market prices for sugar and a price objective of 13.5 cents per pound, with payments of up to 2 cents per pound.

During the summer of 1977, work was proceeding in the Congress on the Food and Agriculture Act of 1977. The de la Garza amendment, containing a price support program designed to aid the sugar industry was added to the bill. The bill, with the sugar amendment, was signed into law on September 29, 1977.

The 1977 Act provided that the price of the 1977 and 1978 crops of sugar beets and sugarcane would be supported through loans or purchases with respect to the processed products thereof at a level not in excess of 65 percent of parity nor less than 52.5 percent of parity, but in no event at a level that would be less than 13.5 cents per pound for raw sugar.

Further, the 1977 Act provided that, in carrying out the price-support program, the Secretary of Agriculture would establish minimum wage rates for agricultural employees engaged in the production of sugar.

Two years later, in 1979, Congress decided not to extend the provisions of the de la Garza amendment, in part because of the belief that the International Sugar Agreement would be an effective mechanism for setting minimum world prices of sugar. The European Community, however, eventually refused to participate in the agreement.

A new program authorizing commodity loans for domestically produced sugar was included in the 1981 farm bill. The sugar loan program went into effect on October 1, 1982. During the short period between enactment of the law and the availability of the loans, the U.S. Department of Agriculture was directed to operate a "direct purchase program" providing sugar producers the alternative of selling sugar to the government for 16.75 cents per pound if they could not get more in the market place.

Under the current program, sugar may be pledged as collateral for a Commodity Credit Corporation loan of 18.75 cents per pound (for raw sugar) in the 1985 crop. Interest on the borrowing is charged at a rate that covers the cost of money to the Government. The term of each loan is 6 months—except that all loans are due and payable before the end of the fiscal year in which they are made.

In authorizing this program, it was the intent of Congress that the program be operated in such a fashion so that no sugar would be forfeited to the Commodity Credit Corporation. The USDA seeks to establish an average market price for sugar in this country somewhat above the sugar loan level. This price, calculated to be the minimum necessary to encourage sales in the market instead of loan forfeitures, is called the Market Stabilization Price (MSP). It is 21.57 cents per pound for the 1985 crop.

In order to maintain the stabilization level—and avoid acquiring any sugar—the Government utilizes the provisions of section 22 of the Agricultural Adjustment Act of 1933, as amended and Headnote II authority under the Tariff Schedule of the United States (TSUS).

Section 22 authorizes special import fees or quotas on foreign commodity imports when it is determined that these imports threaten the successful operation of a domestic commodity program. However, under these authorities, the import fee is limited to 50 percent ad valorem.

With the drop in world sugar prices to less than 10 cents per pound in 1982, fees alone could no longer protect the Government from acquiring sugar placed under loan. Quotas were thereupon imposed under the Headnote authority.

Sugar is one of the world's most politicized and controlled commodities. Of the nearly 170 countries in the world, about 100 produce at least some sugar, some 115 import part or all of their sugar requirements, and approximately 80 are listed as sugar exporters.

Most nations intervened in their sugar markets. According to a recent study by Economic Perspectives, Inc., all major exporters guarantee producer price minimums, and most control exports and amounts available for domestic consumption. Some exporters prohibit imports and both importers and exporters tend to restrict imports by taxing them.

The European Community, for example, guarantees producer prices, applies prohibitive levies to imports (except limited amounts from former colonies), and subsidizes exports as necessary to compete. Of the world's major producers, only the United States did not maintain or increase the area in sugar production during the 1970's.

Seventy-five to eighty percent of the world's almost 100 million tons of sugar produced annually is consumed in the country of origin. The balance is available for trade. More than half of the sugar available each year for international trade is shipped under "special arrangements" and the residual is commonly called the "world market sugar." Because it is a market of last resort for many sellers, and remains relatively "thin" compared to world supply and demand, it is subject to significant price volatility.

The following table outlines some of the sugar policies employed by major exporters and importers of sugar:

SUMMARY OF POLICIES OF MAJOR EXPORTERS AND IMPORTERS

Item	1983 share of world trade (percent)	Price policies	Trade policies
Exporters:			
Argentina	2	Guaranteed minimum farm price; production quota.	Rebate on exports.
Australia	8	Fixed producer price; production quota	Sales by quasi-Government corporation.
Brazil	10	Minimum producer price; maximum mill price.	Do.
Cuba	24	Administered prices and production	Government sale.
EEC	18	Producer price guarantees; import regulation.	Export subsidies
Philippines	4	Regulated producer and retail prices	
South Africa	2	Industry controlled price—stabilization program, controlled high retail prices.	Sales by industry.
Thailand	4	Regulated producer, retail, and export prices.	Government controlled sales
Total	72		
Importers:			
China	4	Administered prices	Government purchase.
Japan [1]	6	Minimum producer prices; import levies	Import levies.
Mexico [2]	1	Minimum and maximum prices established	Government purchase.
United States	12	Raw sugar price support; import restrictions.	Duties, fees, quotas.
U.S.S.R.	19	Administered producer and consumer prices	Government.
Total	42		

[1] Japan subsidizes the price of domestic sugar production, and finances part of that cost through import fees on both corn sweeteners and sugar (in excess of quarterly determined amounts). A surcharge is applied to corn sweeteners to generate revenue and to discourage substitution for sugar.

[2] The Mexican agricultural policies are in rapid transition. A comprehensive plan to increase human nutrition and domestic production had increased prices of many agricultural commodities, but was insufficient to halt the production shortfalls in the fall of 1982, a new administration formally discarded the old system. It is expected that selected food price controls will continue.

Source: USDA and the World Sugar Journal.

The Committee understands, then, that the U.S. sugar industry is not competing in a free market throughout the world, but against countries whose sugar industries are heavily subsidized. Of the subsidizing nations, those within the European Community are possibly the worst offenders.

Although a net importer of sugar through the early 1970's, the Community has so successfully stimulated sugar production through massive subsidies, that they are now a major exporter. Last year, they accounted for almost 20 percent of all sugar moving in world trade. In 1982, with world sugar prices at less than 6 cents a pound, European farmers were, according to the Economic Perspectives study, getting 26.7 cents a pound.

Sugar is but only one of the commodities which the Community has moved in to the world market at heavily subsidized prices.

Through the use of such subsidies, the Community has succeeded in taking markets to which our farmers once provided such products as wheat flour, poultry, eggs, and raisins. The loss of these and other markets has had a great effect on America's farm economy and balance of payments.

PURPOSE AND NEED

If the United States were to lower the loan level for sugar at this time, it would send a contradictory signal to the Europeans about our willingness to provide our farmers with fair trade. In addition, the Committee does not consider the world sugar markets to be fair and equitable. U.S. sugar producers should not have to compete on a world market with heavily subsidized sugar.

In light of these factors, the Committee agreed to continue the sugar loan program with the loan level set for the life of the bill at the 1985 level of 18 cents per pound for raw cane sugar.

In addition, the bill provides that the Secretary may make annual adjustments in the support price for each of the crop years covered by the bill based on changes in factors such as inflation, increased cost of production, and other circumstances which may adversely impact domestic sugar production.

The bill also provides that, if the Secretary determines not to make such an adjustment, he must submit to Congress a report containing the findings, decision, and data supporting his decision.

TITLE XI—HONEY

BACKGROUND

Honey is a sweet viscous fluid produced by honeybees from nectar obtained mainly from flowers. The color, flavor, and chemical and physical composition of honey depends primarily upon the floral source(s) of the nectar. The principal components of honey are fructose, glucose, and water.

In addition to producing honey, honeybees produce beeswax and perform an important pollination service to agricultural crops. Field tests have shown that honeybees are a necessary requirement for the production of many food and fiber crops. In 1973, it was estimated that about 3.5 million acres of fruits, vegetables, oilseeds, and legume seed crops were produced in the United States that are dependent upon insect pollination. Another 63 million acres derived some benefit from insect pollination.

Although beekeeping spread rapidly throughout the United States in the 1700's and 1800's, it was not until near the turn of the 20th century that honey was first produced by beekeepers on a commercial basis. During World War II, sugar rationing and requests by the Government to increase the production of honey led to a large increase in colony numbers and a proportionate increase in honey production. With the end of sugar rationing after the war, honey prices dropped close to pre-war levels. Consequently, a price-support program was legislated for extracted honey in the Agricultural Act of 1949 and put into effect in 1950. After 1951, the program evolved into a two part program—a loan and purchase program.

Bee culture is practiced throughout the United States, in areas with widely different types of climate and flora. Consequently, beekeeping systems vary greatly with respect to geographic area, farming practices, and colony size. Some beekeepers move their bees up to 30 times a year or more (for several miles or several thousand miles) to provide pollination services or to increase honey production by providing bees with abundant sources of nectar during most months of the year. Fees are frequently collected by beekeepers for the pollination services they provide to many fruit, vegetable, tree nut, field, and seed crops. In areas of good bee pasture, some beekeepers specialize in honey production. Other beekeepers in California and the southern tier States specialize in producing packaged bees and queens for stocking hives.

Like many farm enterprises, beekeeping is very specialized, but it is quite different in many respects from raising crops, poultry, and livestock. It requires an extensive knowledge of biology, a mechanical aptitude, and a relatively large capital investment. The operation is often a family business and frequently handed down from one generation to the next. The peak labor loads for the beekeeper usually occur when caring for the bees during the spring, when moving bees for pollination (commonly at night), and when harvesting and extracting honey. Beekeeping is not as dependent on landownership as most other farm enterprises. However, most beekeepers own a small acreage which serves as a base of operation.

There are few barriers to entry into beekeeping and honey processing. However, nearly all States employ county apiary inspectors to make unannounced hive inspections in the field to ensure that each apiary is free from disease. State laws and regulations relating to honeybees and beekeeping are designed primarily to control bee diseases. However, they may also attempt to regulate movement and entry of bees, issuances of permits and certificates, apiary location control, quarantines, inspections, and methods of treating diseased colonies.

In 1975, there were about 211,600 beekeepers in the United States. The largest concentration of beekeepers was reported in North Carolina and West Virginia. However, these are not major honey-producing States because of significantly low hobbyist, part-time, or commercial producers.

The beekeeping industry has a preponderance of small operators who keep bees as a hobby or for small-scale pollination of orchard and field crops. Although hobbyist beekeepers are recognized in the industry, they are not clearly defined. In previous studies, a hobbyist beekeeper was defined as an individual who owns less than 25 colonies of honeybees. In 1975, the International Trade Commission (ITC) estimated there were about 200,000 active hobbyists in the Nation—95 percent of all beekeepers.

Hobbyists represent a wide variety of people and are drawn from numerous occupations, including all the professions and many skilled trades. Most honey produced by hobbyists is consumed at home, given to friends and relatives, or distributed through local outlets.

Part-time beekeepers own from 25 to 299 colonies of honeybees. Units of this size are not large enough to employ a beekeeper full time and generally do not serve as the principal source of income. The ITC estimated there were about 10,000 part-time beekeepers in the United States in 1975. Together, hobbyist and part-time beekeepers accounted for about half the colonies and 40 percent of the honey extracted during 1975.

Commercial beekeepers, those with 300 or more colonies, can be divided into two groups: migratory and nonmigratory. Most professional beekeepers relocate their bee colonies several times during the year to provide pollination services, to reach the most abundant sources of nectar, or often to escape damage from pesticides. By migrating, beekeepers can also provide their bees with a longer supply of nectar to extend the production season. The nonmigratory beekeepers seldom move their colonies over any significant distance. The colonies are normally left in the same location, summer and winter. A small group of beekeepers specializes in the production of queens and packages bees.

In 1975, commercial beekeepers numbered about 1,600, or approximately 0.8 percent of the estimated total beekeeping population. However, the group produced about 60 percent of the honey extracted in 1975.

PURPOSE AND NEED

The honey price support program was established by the Agricultural Act of 1949. Under this program, the Secretary of Agriculture is required to offer loans or purchase agreements designed to support the price of honey at a level between 60 and 90 percent of parity. Generally, the loan program has been utilized to accomplish the objectives of the legislation.

Since 1952, the price of extracted honey has been supported at not less than 60 percent and not more than 90 percent of parity. From 1952 through 1974, beekeepers obtained price support by taking out loans using the honey, valued at an established fraction of the parity price, as collateral, or selling honey to the U.S. Department of Agriculture's (USDA's) Commodity Credit Corporation (CCC) at the support price. In November 1974, the loan portion of the program was deactivated for the 1975 and 1976 crop years. A loan and purchase program has been used to provide price support for extracted honey since 1976.

Although extracted honey has been supported at 60 percent of parity since 1973, the national average support price for honey has jumped upward in recent years due to the significant increase in the parity price for honey. During the 1970–79 period, price supports averaged 24.6 cents per pound. In 1980, honey support prices leaped to 50.3 cents, and the national average support price for the 1984 crop honey is 65.8 cents per pound. Since 1981, support prices have been well above the average wholesale price of honey in the domestic market.

Domestic packers have found it profitable under recent support levels to import lower priced honey in quantities larger than necessary to supplement domestic use, exports, and stock requirements. For the Government, the result has been a dramatic increase in honey forfeitures and loan disbursements. The CCC acquired 6 million pounds of the 1980 honey crop. This quantity jumped to 38.7 million pounds for the 1981 crop and 74.5 million pounds for the 1982 crop. Forfeitures of the 1982 crop represented nearly one-third of that year's production. For the 1983 crop, 115 million pounds of honey were forfeited, which is the largest level of forfeitures since price supports were initiated.

Since 1974, the price support level for honey has risen by almost 320 percent from 20.6 cents a pound to 65.3 cents. The recent jump in Government acquisitions of honey can be traced to increases in the support price above market clearing levels. While the support price in 1980 approximated the average domestic wholesale price, the spread has dramatically increased over the past 4 years. It is estimated that in 1984, the support price exceeded wholesale prices by 15 cents.

Increasing CCC acquisitions of honey have resulted in significantly increased costs to the American taxpayer. While the program cost $4 million in 1980, costs for 1983 exceeded $88 million.

In addition, there is reason to believe that the program is being abused through the forfeiture of adulterated and foreign produced honey. According to a report issued by the General Accounting Office on August 18, 1985, it is difficult to tell whether honey placed under loan is imported or domestically produced.

While there is a test which can indicate from what general area honey is produced, this test is prohibitively expensive, and is not conclusive. With the spread between the loan rate and foreign honey prices regularly exceeding 15 cents per pound, there is a significant incentive to forfeit foreign honey. Furthermore, it is possible to dilute honey with as much as 40 percent corn syrup without affecting the taste and appearance of the honey. The test for determining if the USDA is receiving adulterated honey is also very expensive.

According to the Department of Agriculture, the benefits of this increasingly expensive program are provided to very few beekeepers. The Department estimates that 90 to 95 percent of the 211,600 beekeepers in the United States are hobbyists who own less than 25 colonies. Most of the honey produced by these beekeepers is consumed locally.

The Department further estimates that only 1 percent of total beekeepers are commerical beekeepers for whom honey serves as the principal source of income. This group of 1,600 beekeepers account for almost 60 percent of honey production.

The honey provision in the Committee bill would reverse this trend of increasing Government costs and would seek to move to the price support level more in line with market forces. Under the provision, the loan rate would be frozen for the 1986 crop at the current rate of 65.3 cents. For the 1987 through 1989 crops, the loan rate would be set at the higher of 85 percent of the most recent 5-year average market price, excluding the high and low years, or 50 cents per pound. In any single year, the loan rate could not be less than 95 percent of the previous year's rate.

In order to limit the amount of honey being acquired by the Government, and better compete with foreign producers of honey, the Secretary or Agriculture would be authorized to use a marketing loan, under which he could allow repayment of loans to be made at levels below the established loan rate.

The Secretary would permit repayment of a loan at a level that is the lesser of the loan level determined for the crop or such level as the Secretary determine will minimize potential loan forfeitures, reduce government surplus holdings, and storage costs, and maintain the competitiveness of honey in domestic and export markets.

In addition, in order to minimize the amount of honey forfeited to the CCC, the Secretary may choose to provide eligible producers who do not receive a loan with a loan deficiency payment equal to the diffference between the original loan rate and the loan repayment rate.

Furthermore, in light of the possibilities for abuse of the program through the forfeiture of foreign produced or adulterated honey, the bill provides that anyone found to have pledged such honey shall be prohibited from participating in the loan program for 3 years. Of course, such activity would remain subject to criminal penalties under the Commodity Credit Corporation Charter Act for fraudulent activities involving the Commodity Credit Corporation.

TITLE XII—FOOD ASSISTANCE RESERVE

PURPOSE AND NEED

Title XII requires the establishment of a humanitarian food assistance reserve of up to 500 million bushels of wheat and feed grains to be used to meet urgent humanitarian needs. Included in this reserve are to be not less than 200 million bushels of wheat for emergency food assistance to developing countries at any time that the domestic supply of wheat is so limited that wheat cannot be made available for disposition under Public Law 480, except than 300,000 tons of wheat may be released from this portion of the reserve in any fiscal year without regard to the domestic supply situation for use in providing urgent humanitarian relief in any developing country suffering a major disaster.

The provision also requires that not less than 100 million bushels of wheat be made available for distribution through the section 416 program. The Secretary of Agriculture is authorized to pay for processing, packaging, handling, transportation, and other related costs associated with distributing commodities from the reserve.

The Secretary may establish or replenish the reserve through purchases from producers and by designating stocks of wheat and feed grains acquired by the Commodity Credit Corporation.

This title also repeals the farmer-owned reserve program for wheat and feed grains, the food security wheat reserve, and other reserves.

The food assistance reserve is needed to ensure that the United States will be able to meet its food aid commitments during periods when the domestic supply of wheat and feed grains is limited and will be able to respond in a timely manner to emergency situations requiring urgent, humanitarian food assistance. This reserve will replace an existing 4 million metric ton food security wheat reserve. It will be an improvement over the existing since feed grains may be included in addition to wheat and greater discretion will be allowed for its use.

The farmer-owned grain reserve was designed to provide protection against wheat and feed grain production shortfalls and to provide a buffer against unusually sharp price movements. Under the program, farmers place their grain in storage and receive an extended nonrecourse loan for 3 to 5 years. Interest on the loan may be waived and farmers may receive annual storage payments from the Federal Government. Farmers cannot take grain out of storage without penalty unless the market price reaches a specified "release price". When the release price is reached, farmers may elect to remove their grain from the reserve but are not required to do so. However, at that point the storage and interest incentives may be reduced or eliminated.

The Secretary has broad discretionary authority to determine most of the incentives for participation in the farmer-owned reserve program. Eligibility requirements for entry into the program, reserve entry and release prices, storage payments, waiver of interest charges, and the maximum size of the reserve are left to determination by the Secretary.

During the past 5 years, the farmer-owned reserve has been used to keep surplus stocks off the market. In response to the Soviet invasion of Afghanistan, President Carter placed an embargo on exports to the USSR in January 1980. In response, other grain producing countries began to expand their production and went after Soviet and Eastern Bloc trade. With this immediate loss of a sizeable export market, the farmer-owned reserve was used to provide a "market" for surplus stocks. For the 1981/82 crop year, the Secretary eased producer eligibility requirements for the farmer-owned reserve, offered reserve loan rates higher than regular CCC loan rates, and waived interest charges on reserve loans. The effect of these decisions was a sizable increase in stocks of wheat and corn in the farmer-owned reserve.

As the farmer-owned reserve accumulated grain, foreign producers expanded their output in response to the price incentives provided by high U.S. loan rates and strengthening of the U.S. dollar against other currencies. A worldwide recession also hindered U.S. exports. Favorable weather conditions prevailed around the world, and a global grain glut emerged. In the 1981 farm bill, Congress anticipated continued high inflation rates and legislated higher loan rates and target prices for the next 4 years.

These program incentives further encouraged both foreign and domestic expansion of production, while U.S. exports continued to decline. In 1982, farm income fell and once again the farmer-owned reserve was used to support farm prices and as a substitute for production controls. For example, the reserve loan rate for the 1982 corn crop was set 35 cents per bushel above the regular loan rate and 20 cents above the target price. Thus, because of the use of the farmer-owned reserve for income enhancement, and to encourage program participation in 1982, large quantities of grain stocks accumulated.

Recent experience indicates that using reserve programs to support farm prices and farm income in the face of excess productive capacity results in the accumulation of excessive stocks, especially when market forces and other program provisions tend to encourage increased production and progressively lower real prices. Other problems associated with long-term storage such as quality deterioration, cost of storage payments and interest waivers, the possibility of eventual forfeiture to the Federal Government, and the restriction of exportable supplies, have raised significant questions about whether grain reserves are a cost effective means for achieving farm income support.

The history of programs using a combination of loan rates, target prices, and the farmer-owned reserve program indicates that the success of these programs depend upon the relative levels at which each is set. As a direct result of large Government stock accumulation caused by relatively high and rigid nonrecourse loan rates, additional policy tools such as paid diversion, voluntary acreage set-aside and reduction programs, and the farmer-owned reserve have been used to limit production and to control post-harvest supplies.

After examination of these factors, the Committee decided that the elimination of the farmer-owned reserve program was the most prudent course of action. Provisions in the bill which lower the effective loan rate will result in U.S. commodities being sold in world markets or stored privately rather than being held by the private sector. In essence, the subsidies that farmers enjoyed in the farmer-owned reserve program have not been eliminated, only transferred to another area of the commodity price support mechanism.

Title XIII—Miscellaneous Commodity Provisions

PURPOSE AND NEED

Payment limitation

The Committee continues to believe that reasonable limitations are needed on the amount of payments that are available to any single producer. A payment limitation on deficiency payments similar to that now in effect for the 1985 crops was adopted by the Committee for each crop year through 1989. More specifically, an individual producer may not receive more than $50,000 in any one year under the wheat, feed grains, upland cotton, extra long staple cotton, and rice programs.

A limit on the amount of payments which a farmer can receive from the Government was first imposed by the Agricultural Act of 1970. The annual ceiling was established at $55,000 per person per crop, for producers of wheat, feed grains, and upland cotton.

The limit was subsequently reduced to $20,000 for all of these crops in the Agriculture and Consumer Protection Act of 1973.

The Rice Production Act of 1975 included an annual limit of $55,000 on the amount of program payments for rice which a producer could receive.

The Food and Agriculture Act of 1977 revised the payment limitation upward for wheat, feed grains, and upland cotton, but reduced it for rice. The limit for the 1978 crop of wheat, feed grains, and upland cotton was $40,000, increasing to $45,000 for the 1979 crops. For rice producers, the payment limit was decreased from $55,000 in 1977 to $52,250 in 1978 and $50,000 in 1979. For the 1980 and 1981 crops, the annual payment limit for wheat, feed grains, upland cotton, and rice combined was established at $50,000.

Payments for disaster loss, CCC purchases, commodity loans, or payments for public access for recreation were excluded from the payment limitation beginning in 1978, but a separate $100,000 cap on disaster payments to an individual was imposed in 1980.

The Agriculture and Food Act of 1981 contained the combined $50,000 and $100,000 limits for the 1982 through 1985 crops but extra long staple cotton was added to the $50,000 limit beginning with the 1984 crop.

As far back as the early 1960's, studies have shown that participation in commodity programs is highest among large farms that are cropped most intensively. These farms also have tended to be more specialized cash crop operations.

In 1984, program payments for all commodities totaled nearly $6.6 billion. Almost 90 percent of all payments went to producers of wheat, feed gains, cotton, rice, and dairy. Yet, these commodities accounted for only 31 percent of total cash receipts from farming in 1984.

In 1984, the average payment was $14,300 for rice, followed by cotton at $8,900, corn at $4,700 and wheat at $4,400.

Ninety-five percent of all program payees received less than $25,000 and accounted for 61 percent of total payments. Only 5 percent of all program payees received more than $25,000 but accounted for 39 percent of total payments.

For the wheat program, in 1982/83, 76 percent of the participants in the 15 percent acreage reduction program for wheat were farmers with less than 500 acres of cropland. This group received nearly a third of total wheat deficiency payments. For the same time period, less than 5 percent of the participants were farmers with 1,500 acres or more of cropland, but they received nearly 27 percent of the deficiency payments.

For 1984, a total of 328,194 payees received wheat deficiency payments totaling $1.09 billion. Only 1.4 percent of the payees received more than $25,000, however, this group received 14.5 percent of the total payments.

A total of 380,484 payees received corn deficiency payments totaling $1.78 billion for the 1984 program. The 2 percent of the payees who received more than $25,000 accounted for 16 percent of the total payments.

Cotton deficiency payments totaling $669 million were received by 74,840 payees for the 1984 program. Twelve percent of the payees received more than $25,000 each, which totaled 56 percent of all payments.

A total of 27,280 payees received rice deficiency payments of $390 million for the 1984 program. Sixty five percent of the total payments went to the 22 percent of the payees who received more than $25,000 each.

Normally planted acreage

Under the bill, whenever a set-aside program for wheat, feed grains, upland cotton or rice or marketing quotas for wheat are in effect, producers may be required, as a condition of eligibility for loans, purchases and payments on any commodity, to not exceed the acreage normally planted to crops designated by the Secretary of Agriculture. This authority is currently applicable only to wheat and feed grains but was extended to cotton and rice since set-aside authority was added to those programs. It is believed that this authority can achieve a more effective acreage adjustment program if the set-aside authority is used. Otherwise, plantings of crops on farms other than those crops planted within program requirements, may exceed their normal planted area. If this occurs, the added production can cause an imbalance of the supply/demand situation for such crops and adversely impact on overall supply management efforts.

Determinations of the Secretary

The bill authorizes the Secretary to determine the rate of loans, payments and purchases under programs established for the 1986 through 1989 crops without regard to the requirements for notice and public participation in rulemaking in the Administrative Procedure Act or any secretarial directive. Not requiring public participation in the establishment of these items will give the Secretary greater flexibility and will result in more timely decisions regarding these issues.

Multiple commodity plantings

Under previous programs, participating producers who historically produced crops of two commodities (double cropping) on the same land were required to maintain the diverted acreage on such land in conservation uses for the entire season. As a consequence, the production from both commodities was diverted even though program participation was for only one commodity. Farmers in double cropping areas have expressed concern that they have been unfairly treated by having to divert production from two commodities while only receiving program benefits on one commodity. The Committee bill would permit the Secretary to allow producers that double crop to plant a second crop of another commodity for harvest in a year on the same acreage diverted from production of the participating commodity.

Interest payment certificates

The bill authorizes the Secretary to provide negotiable certificates to any producer who repays, together with interest, a price support loan. Such certificates will be redeemable in wheat, feed grains, upland cotton, or rice owned by the Commodity Credit Corporation. This authority gives the Secretary additional flexibility whenever the domestic market price of a commodity is insufficient to cover the principal and accumulated interest on a loan by a producer. Under these circumstances, providing a negotiable certificate equal to the amount of interest paid by producers on such loans would yield savings to the government by (1) avoiding default of such loans, (2) reducing the large inventories owned by the Commodity Credit Corporation and (3) eliminating storage, handling and carrying charges on the forfeited commodity.

Commodity Credit Corporation sales price restrictions

In certain circumstances, the Commodity Credit Corporation may acquire title to stocks of grains which the Secretary is required or authorized to support. Whenever the CCC acquires such grain, the grain may not be resold at a level below a certain percentage of the basic price support program.

The expiring law requires that the CCC may not resell its stocks of wheat, corn, grain sorghum, barley, oats and rye at less than 115 percent of the national average loan rate for the commodity. The bill would extend these provisions of each crop through the 1989 marketing year. It further expands these provisions to accommodate situations where the Secretary permits repayment of loans at a rate less than the announced loan level. In such cases, CCC stocks could not be resold at less than 115 percent of the average loan repayment rate permitted for such commodities.

Advance payments

The bill authorizes the Secretary to make available advance deficiency and diversion payments to producers who ageee to participate in the announced acreage limitation or set-aside programs. Advance payments provide farmers with early additional cash flow that can be used to supplement their operating costs. Advance payments will also encourage greater levels of program participation.

Special grazing and hay program

The growing wheat plant can be an excellent and economical source of forage for livestock. The expiring Act allows the Secretary to provide payments to producers who use wheat acreage for this purpose rather than for commercial grain production. The bill extends authority for the program through 1989.

TITLE XIV—FOOD STAMPS AND COMMODITY DISTRIBUTION

BACKGROUND

Description of the Food Stamp Program

The Federal Government establishes the rules that govern the Food Stamp Program pursuant to the Food Stamp Act of 1977, as amended. With certain variations for Alaska, Hawaii, and the territories, these rules are nationally uniform. States may opt to offer the Food Stamp Program or not; but, if a State chooses to offer it, as all have, it must offer the program throughout the State. The Food Stamp Program in Puerto Rico has been replaced with a nutrition assistance grant, funded at $825 million annually.

At the Federal level, the program is administered by the U.S. Department of Agriculture's Food and Nutrition Service. At the State and local levels, it is administered by welfare departments.

States are responsible for certifying applicant households and arranging for the issuance of monthly benefits to them. The Federal Government is responsible for Federal regulations implementing the Food Stamp Act, overseeing State operation, printing and processing coupons and for approving and monitoring retail stores which redeem coupons.

The Federal Government pays the full costs of food stamp benefits (about $10.7 billion in fiscal year 1984) and the nutrition grant for Puerto Rico ($825 million). The Federal Government also pays for its own administrative costs (some $83 million in fiscal year 1984), the cost of job search activities conducted by States ($30 million in fiscal year 1984), and approximately 50 percent of eligible State and local administrative expenses as well as 75 percent of new computer systems and antifraud activities (a total of $807 million in fiscal year 1984). States, and localities in some cases, finance roughly 50 percent of their administrative expenses (including issuance costs). In certain instances, the State/local share may be lower, as low as 25 percent with the Federal Government picking up 75 percent (for example, costs of setting up computerized systems and for certain antifraud activities). Additionally, States that administer their programs in such a way as to minimize overissuances are eligible for "enhanced" or "incentive" funding. Conversely, States with high overissuances may have the Federal share of their administrative costs reduced.

Federal regulations are published periodically to establish the national parameters of policy with regard to the Food Stamp Program. Such regulations result from changes in legislation and from ongoing review of existing Federal regulations.

Additionally, States usually publish their own guidelines, usually as "State manuals", to advise their eligibility workers on current operating procedures, especially with regard to specific procedures on which Federal regulations permit State flexibility.

State officials typically consult with one of the Food and Nutrition Service's seven regional offices for guidance on questions of policy.

States vary a great deal with regard to certain aspects of the program, particularly with regard to administrative procedures. States are responsible to establish their own form of administration above and determine the location and hours of food stamp offices and the qualifications and salaries of those (non-Federal) employees who operate the program. Additionally, the State agency determines the extent to which the State will exercise its option for certain discretionary aspects of the program, although some of these issues are subject to approval by the Secretary of Agriculture. For instance, States may determine whether, except in cases in which they are required to do so, they will use photo identification in the program, and the extent to which monthly reporting and retrospective budgeting will be used beyond that which is required. The degree of computerization varies considerably. The methods of distributing monthly benefits vary not only by State, but by areas within States-especially rural versus urban areas.

While certain administrative practices may vary, the Foods Stamp Act of 1977 provides for uniform national eligibility standard in the program, except that separate standards apply in noncontinental areas and for certain categories of recipients, such as the elderly and disabled. These nationally uniform eligibility standards address income, assets, and work requirements.

The basic unit for determine food stamp eligibility is the "household". As a general rule, all individuals living together in a common residental unit (such as a house, apartment, and so forth) and purchasing food and preparing meals in common constitute a food stamp household and must all be considered together as one unit for determining food stamp eligibility and benefits. In doing so, all of the individual household members' income and assets are aggregated in determining eligibility and benefits.

However, individuals who live together may, in certian cases, apply as separate households and have only their income and assets considered individually in determining their eligibility and benefits. The basic determining factor is whether those who live together purchase food and prepare meals together or apart from the remainder of the members of the residential unit.

In some cases, those who live together must be counted as one household regardless of whether they purchase food and prepare meals together. This is the case with regard to parents, children, and siblings who live together, unless one of the parents or siblings is elderly or disabled. If one of the parents or siblings is elderly or disabled, that person is eligible to apply as a separate household if he or she can establish that he or she purchases food and prepares meals separately from other family members. In other words, the special rule with regard to the elderly and disabled does not automatically man a separate household is to be established for such individuals, but it permits such individual to apply separately. (Note—A husband and wife are always treated as one unit or houshehold, regardless of whether one of the spouses is elderly or disabled.)

An additional exception is provided for individuals who are both elderly and disabled (in a more narrowly defined sense) in that they physically cannot purchase food and prepare meals because of a substantial disability. In such cases, these individuals may apply as separate households, as long as the remainder of their residual unit—excluding the spouse—whether on food stamps or not) has a gross monthly income below 165 percent of the poverty level. The general standard of eligibility for food stamp households without an elderly or disabled member is gross income at or below 130 percent of poverty.

In general, individuals or groups of individuals residing in an institution or boarding house or living with others and paying compensation to the others for meals do not qualify as a household. However, an exception is provided for individuals living in certain "group" living situations. These exceptions include persons in special housing for the elderly and disabled; persons in small group homes for the disabled; persons living in drug addiction or alcoholic treatment program centers; and temporary residents of shelters for battered women and children. In such cases, these individuals are considered as one-person households.

The household concept is an important issue in the determination of both eligibility and benefits. Inasmuch as food stamp benefits are issued based on economies of scale, smaller households are received larger per person benefits than do large households.

Income

Monthly income is the single most important determinant affecting an individual's (or household's) participation in the Food Stamp Program. It is significant because it determines eligibility to participate in the program as well aa affects the level of benefits received.

For most households (about 80 percent), there are two income tests, one relating to gross income and one relating to net income.

The Food Stamp Program provides a limitation on participation in the program in the form of a ceiling on gross monthly income for most households—a gross income eligibility standard, or test. This ceiling is established at 130 percent of the official proverty line established by the Director of the Office of Management and

Budget and updated annually by the Secretary of Health and Human Services. The update is based on the changes in the consumer price index published by the Bureau of Labor Statistics—and in recent years by subtracting out the home ownership component. Any household (except a household with an elderly or disabled member) is ineligible to participate in the program if the households' gross monthly income (that is, income before the deductions permitted under the program) exceeds 130 percent of proverty, regardless of other household circumstances.

In addition to meeting the gross income standard, most households (that is, all households other than those with an elderly or disabled member) must also meet a net income eligibility standard, or test. Under the net income eligibility standard, or test. Under the net income standard, the household's income, after taking into account the various deductions established by the Food Stamp Act of 1977, may not exceed 100 percent of the poverty line established by OMB. (Note.—Households with an elderly or disabled member must meet only the net income test.)

These income eligiblity standards are established for various household sizes, and are updated annually to reflect cost-of-living changes during the past 12 months. The standards in effect during July 1, 1985, through June 30, 1986, are shown in the following table. The table also shows the actual poverty line for each household size, which also serves as the net income standard. Food stamp eligibility is based on monthly income; annual figures are shown for comparison.

INCOME ELIGIBILITY STANDARDS[1]—JULY, 1985–JUNE 30, 1986

	Gross income standard (130 percent of poverty)		Net income standard (100 percent of poverty)	
	Month	Year	Month	Year
Household size:				
1	$569	$6,825	$438	$5,250
2	764	9,165	588	7,050
3	959	11,505	738	8,850
4	1,154	13,845	888	10,650
5	1,349	16,185	1,038	12,450
6	1,544	18,525	1,188	14,250
7	1,739	20,865	1,338	16,050
8	1,934	23,205	1,488	17,850
Each additional member	+195	+2,340	+150	+1,800

[1] In 48 contiguous States, the District of Columbia, Guam, and the Virgin Islands.

Source: Food and Nutrition Service, U.S. Department of Agriculture.

Assets

Assets, or resources, are the second major criteria for eligibility to participate in the Food Stamp Program. Under the Food Stamp Program, the assets eligibility rules limit an eligible household's countable liquid assets to $1,500, or $3,000 if the household has two or more members and at least one of them is elderly. The liquid assest test excludes the value of a residence, a portion of the value of motor vehicles, business assest, household belongings, and certain other resources.

Households may not knowingly transfer assets for the purpose of attemping to qualify for Food Stamp Program paticipation. Households that do attempt such a transfer are ineligible for program participation for 1 year.

Work requirements

In addition to the financial considerations determining eligibility for food stamp participation, there are nonfinancial criteria, including work registration and certain categorical limitations.

The third criteria for intial eligibility to participate in the Food Stamp Program is the individual's willingness to register for employment. "Able-bodied" individuals, of not working and not within an exempt category, are required to be available and register for work and meet job search requirements in order to qualify for food stamp benefits. As specified in each State, this may require a certain number of job search contacts.

Household members exempt from work registration requirements are the following:

(1) A person younger than age 18 or older than age 60;

(2) A person physically or mentally unfit for employment;

(3) A person who is subject to and complying with a work registration requirement of the AFDC Program, or the Federal-State unemployment compensation system;

(4) A parent or other member of a household with responsibility for the care of a dependent child under age six or of an incapacitated person;

(5) A student who is eligible to participate in the Food Stamp Program—That is, is enrolled at least half time in a recognized school, training program, or institution of higher education;

(6) A regular participant in a residential drug addiction or alcholic treatment and rehabilitation program; and

(7) A person who is employed a minimum of 30 hours per week or receiving weekly earnings which equal the minimum wage multiplied by 30 hours.

Approximately 17 percent of all food stamp households have members who are not exempt from work registration under the seven exemptions listed above, and must register for employment at the time of application for food stamp assistance and at least once every 12 months thereafter.

The work registration rules require that household members not exempt from work registration procedures register for employment through the local State employment office, seek employment, and accept any suitable job offer in order for the household to retain eligibilty.

Other determinations of eligibility relate to certain categorical limitations, such as those applying to aliens, college students, and strikers.

Aliens are ineligible for food stamp participations unless they have been admitted to the United States for permanent residence or are present under certain specified provisions of the Immigration and Nationality Act; thus, illegal and temporarily resident aliens ineligible. However, children born in the United States to aliens, either legal or illegal aliens, are U.S. citizens and are eligible to participate in the Food Stamp Program. In such cases, or other instances in which ineligible aliens are in the same household unit with eligible aliens, a share of the ineligible alien's income and all of his or her assets are attributed to the remaining (eligible) part of the household. Legal aliens are typically those with permianent alien status (pending citizenship), those who have been exempted for humanitarian reasons, and long-term aliens who have become "grandfathered" in.

Certain aliens enter the United States under a system by which citizens "sponsor" the newly arriving alien by agreeing to ensure that the alien will not become a public charge for 3 years. In the case of such "sponsored aliens", the Food Stamp Program permits participation under the condition that the income and resources of the sponsors of such aliens are deemed available to those aliens for food stamp purposes.

Congress has cut back the eligibility for post-secondary students to participate in the Food Stamp Program. Students (usually termed "college" students) who are enrolled at least half time in post-high school education and who otherwise qualify are ineligible unless they are: (1) disabled, (2) working at least 20 hours a week, (3) enrolled in a federally financed work-study program, (4) an AFDC recipient, (5) a parent with responsibility for the care of a dependent child under age six or for the care of a child up to age 12 for whom adequate child care is not available, (4) or (6) under the age 18 or over the age 60.

However, students enrolled less than half-time are not subject to these limitations on participation, but are treated under the same eligibility criteria applicable to all others, nonstudent applicants.

In households containing ineligible members, such as aliens and college students, remaining members of the household are eligible to participate in the Food Stamp Program. In the case of aliens, a portion of the income of the ineligible alien is counted for purposes of determining food stamp eligibility and benefit levels. The income (minus a pro rata share for the ineligible member) is counted in determining the remainder of the household's total income. All of the assets of the ineligible alien are counted.

However, a separate rule applies to students who are ineligible. Neither the income nor assets of the student is counted. The remainder of the household is thus able to qualify without any consideration of the income or assets of the student.

In essence, since legislation was adopted in 1981, most households containing strikers are not eligible for food stamp participation. Strikers and their families may not become eligible for food stamp benefits by virtue of the reduction in income attributable to a strike action. Also, if a household was eligible for food stamps immediately prior to a strike, the household may participate, or continue to participate, but there may be no increase in food stamp benefits as the result of a decrease in the income of the striking household member of members.

However, if the person who is striking is exempt from work registration requirements (such as someone over age 60, for example) this limitation does not apply.

Thrifty food plan and monthly benefit levels

Once eligibility for the Food Stamp Program is determined the level of benefits must be calculated. There are several basic components that ultimately will determine the amount of a household's monthly food stamp benefits:

> First, the value of the thrifty food plan itself, and specifically the plan's value for the uniform, four-person household used for calculating food stamp benefits. Second, the size of the household. Third, household income after various deductions (discussed in the following section entitled "Deductions and Benefit Calculations").

Monthly food stamp benefits are based on the cost of the "thrifty food plan." This food plan is the least costly of the four-family food plans devised by the Department of Agriculture. It has been the basis of food stamp monthly allotments since January 1976, by regulation, and, by statute, since enactment of the Food Stamp Act of 1977.

The thrifty food plan is a research-based set of economical and nutritious diets that, insofar as possible, reflects food choices of households with limited food budgets. It is composed of an assortment of foods that represents as little change from average food consumption of persons in U.S. households with relatively low food costs as was required to provide a nutritious diet while controlling costs.

The thrifty food plan used for determining benefits

By statute, the thrifty food plan used for determining food stamp benefits means the diet required to feed a family of four persons consisting of a man and a woman, ages 20-54, and two children, ages 6-8 and 9-11.

The cost of such a diet is the basis for uniform allotments for all participating households, after adjustments for household size, regardless of the actual composition of the participating households.

The following table shows the value of the maximum thrifty food plan beginning October 1, 1985. This will serve as the basis for food stamp allotments through September 30, 1986. While the cost of the thrifty food plan changes monthly, food stamp benefits are determined annually, each October, based on the value of the thrifty food plan each June.

Maximum food stamp allotments, Oct. 1, 1985—Sept. 30, 1986

[Persons in household]

1	$80
2	147
3	211
4	268
5	318
6	382
7	422
8	483
Each additional member	60

Maximum food stamp allotments vary for Alaska, Hawaii, the Virgin Islands, and Guam, because food costs in those areas differ substantially from those in the 48 contiguous States and the District of Columbia.

It should be noted that these amounts are the maximum allotments for households of various sizes. Unless households have zero countable, or net, income, they are not eligible for the maximum food stamp allotments. By program design, families are expected to contribute 30 percent of their net income to food expenditures. For most food stamp families, food stamps are designed to supplement food purchasing power; only in the case of households with little or no income (zero net income households) are they expected to provide resources for all food expenditures.

Deductions and benefit calculations

In determining eligibility for most households, the Food Stamp Program looks primarily at a household's monthly gross income. Further, for purposes of determining actual benefit levels, the program considers the household's net, or countable, income after certain deductions are taken. For every dollar in net income, benefits are reduced by 30 percent (the benefit reduction rate, described later). The effect of the various deductions is thus to lower the net income for participating households.

Deductions are calculated in the order outlined below.

Standard deduction

In determining a household's net income, all households are automatically permitted a standard deduction. For fiscal year 1986, this deduction is $98. The standard deduction is indexed annually on October 1, just as the thrifty food plan is. However, the basis for the indexation of the deduction is the Consumer Price Index minus both food and the homeownership component of shelter costs. Inasmuch as changes in food prices are reflected in annual indexing of benefits and as most food stamp households rent, rather than own, housing, Congress has judged this index to be more appropriate than one which would include food and home ownership costs.

(NOTE.—Separate deduction levels apply with regard to Alaska, Hawaii, Guam, and the Virgin Islands.)

The standard deduction is a constant amount, with no variation for household size or income level.

Earned income deduction

For households with earned income, a deduction of 18 percent of such income is permitted.

Excess shelter and dependent care deduction

Additionally, a deduction for excess shelter costs and dependent care expenses is provided in the Food Stamp Program for households other than those containing an elderly or disabled member. Dependent care costs are first determined and then excess shelter costs. Currently, actual amounts up to a maximum of $139 for these combined factors are permitted. By regulation, shelter costs include rent, mortgage, property taxes, heating or cooling expenses, water, sewerage, garbage and trash collection, and the basic service charge for one telephone. "Excess shelter costs" are defined as being those that exceed 50 percent of the countable income remaining after all other potential deductions and expenses have been subtracted out.

For households with elderly and disabled members, there is no ceiling on the shelter costs which may be deducted. Any amount which represents over 50 percent of income after all other deductions—including the special medical deduction for elderly and disabled households—is subtracted in the case of households with elderly or disabled household members. However, the maximum of $139 applies with regard to any dependent care expenses.

For the sake of simplicity for eligibility workers and recipients, most States have developed and use standard utility allowances when computing a household's overall shelter costs. These standard allowances are used in place of actual utility costs, if the household so chooses, as long as the household incurs some utility expense separate and apart from the rent or mortgage payment.

The excess shelter/dependent care deduction limit is also indexed annually to account for changes in the Consumer Price Index. The basis for the indexation is the Consumer Price Index components for housing costs minus the home ownership component.

Medical deduction for the elderly/disabled

An additional deduction is available to households that contain elderly or disabled members. Medical expenses above $35 per month for individuals in these households may be subtracted as an allowable deduction. This deduction was added in 1979 to provide a special deduction for elderly and disabled households who are more likely than other households to have high medical expenses.

All deductions are subtracted from the household's gross income to determine the net, or countable, income for food stamp purposes. The following table outlines the number of households claiming the various available deductions:

NUMBER OF PARTICIPATING HOUSEHOLDS CLAIMING AND VALUE OF DEDUCTION CLAIMED

Type of deduction	Number of households claiming deduction	Average amount deduction—		
		Percent of households [1]	Over claiming households	Over all households
Earned income	1,316,000	17.6	$81	$14
Dependent care [2]	119,000	1.7	84	1
Shelter [2]	4,820,000	66.8	85	57
Medical [3]	163,000	2.2	51	1
Total [4]	7,487,000	100.0	159	159

[1] Percent of households with known deduction information.

[2] Combined total of dependent care deduction and shelter deduction is subject to a limit except for households where at least one member is age 60 or more or receiving SSI or Social Security disability payments.

[3] Available only to households where at least one person is age 60 or more or receiving SSI or Social Security disability payments.

[4] Includes standard deduction for all household.

Source: August 1982 Food Stamp Quality Control sample, U.S. Department of Agriculture.

Countable income and the benefit reduction rate

Under the Food Stamp Act of 1977, the value of the allotment to be issued to the eligible household is to be equal to the cost of the thrifty food plan—that is allotment levels—reduced by 30 percent of the household's income remaining after allowable deductions—countable, or net income. This percentage reduction in the thrifty food plan cost is deemed to be equal to the amount being spent on food purchases by the household and is known as the benefit reduction rate. The benefit reduction rate has been 30 percent since established in 1977. Thus, for every additional dollar of countable income (after food stamp deductions), benefits are reduced by 30 cents.

Prior to 1977, most households were required to contribute some percent of their countable income to the Federal Government in return for food stamp benefits with a larger value. This requirement for a cash contribution to participate was known as the purchase requirement. The purchase requirement was phased out over 2 years, between 1977 to 1979. (The purchase requirement has also been established at up to 30 percent of household net income during its usage in the program.)

In effect, the participating household in now expected to spend 30 percent of its countable (net) income for food, and the Food Stamp Program makes up the difference between that and the amount needed to purchase a low-cost adequate diet.

Households with no countable income receive maximum monthly allotments; those with higher incomes—relative to family size—receive lower monthly allotments.

Therefore, except in cases in which the household's after-deduction income is zero, so-called zero net income households, some income is judged to be available to the household for the purposes of purchasing food. Except in these cases—usually less than 20 percent of the entire caseload—households are expected to contribute from their own income to purchase food. Among these recipients with relatively higher incomes, food stamp benefits serve as a supplement to regular food purchases, and are not intended to supply all of the household's monthly food needs.

Households generally receive the exact amount, rounded down to the nearest dollar, that the benefit calculation produces. However, in the case of one- and two-person households, a minimum benefit of $10 per month has been established.

INTRODUCTION

The Committee bill reauthorizes the Food Stamp Program for 4 years. The bill also makes certain changes in program operations in order to provide more equitable treatment of recipients within the Food Stamp Program by closing loopholes and establishing more consistent and logical treatment of certain sources of income and certain expenses. The bill also establishes in several instances, and permits in others, greater consistency with other Federal assistance programs, primarily the Aid to Families with Dependent Children Program.

While minor benefit reductions may occur for certain households, this has not been a primary focus of the Committee's reauthorization. Such changes occur primarily as a result of attempts to make the Food Stamp Program more internally consistent with existing provisions and to coordinate food stamp policy more closely with other programs.

When provisions of the bill are fully implemented, these modest benefit changes will, on average, be more than offset by the increased purchasing power for recipients resulting from the prohibition on State and local sales taxes now being imposed on food stamp purchases in some States. Thus, the overall budget impact of the Committee bill is to increase overall food stamp purchasing power without increased cost to the Federal taxpayer. Indeed, coupled with the savings attributable to the error rate sanction provisions, the taxpayers will obtain an improved program with lower Federal expenditures. Additionally, maintaining the Puerto Rico nutrition assistance program at is current level of $825 million annually will contribute to the continued stabilization of program costs.

The Committee bill is consistent with Congressional action in 1981 and 1982 designed to stabilize food stamp spending which has been escalating dramatically. The following table outlines expenditures for the food stamp program since the program was established as a pilot project in fiscal year 1961 through projected outlays for fiscal year 1985, ending September 30, 1985.

Food stamp outlays,[1] fiscal years 1961–85

[Amounts in thousands]

	Expenditures
Fiscal year:	
1961	$857
1962	13,700
1963	20,000
1964	30,015
1965	34,395
1966	69,491
1967	114,095
1968	184,727
1969	247,766
1970	576,810
1971	1,567,767
1972	1,909,166
1973	2,207,532
1974	2,844,815
1975	4,598,956
1976	5,681,954
Transition quarter	1,325,159
1977	5,398,795
1978	5,548,752
1979	6,866,287
1980	9,163,946
1981	11,303,025
1982	11,064,157
1983	12,700,882
1984	12,375,249
1985 [2]	12,578,000

[1] Outlays represent actual cash disbursements from the Treasury. Annual figures do not include amounts transferred to the Office of Inspector General, Office of General Counsel, or Federal administrative costs included in a separate Food Program Administration Account. These three aspects now cost about $65 million annually.

[2] Estimate by U.S. Department of Agriculture.

The Committee bill is estimated by the Congressional Budget Office to result in expenditures of $12.547 billion during fiscal year 1986, climbing by roughly $500 million increments to an annual cost of $14 billion in fiscal year 1989.

The Committee bill does not reverse any of the significant changes adopted in the Food Stamp Program in 1981 or 1982. Indeed, as several reports have indicated, these 1981 and 1982 changes did not have the budget impact that had been contemplated when they were adopted. Considerable attention has focused on the food stamp program since the enactment of the Omnibus Budget Reconciliation Act of 1982. During the recessionary months of 1982–83, in particular, concerns were voiced about whether the food stamp program and other food assistance programs were responding adequately to the needs of poor Americans.

Even as the unemployment rate began to decline and the economy appeared to be improving, reports of hunger in America surfaced repeatedly in 1983. Both the Senate and House Agriculture Committees held hearings on the subject and resolutions of concerns were passed in both the House and Senate. Charges were made that the nutritional status of low-income Americans had declined and that some, or all, of the blame lay with the changes legislated by the Congress, some of which had been recommended by President Reagan.

In response to the situation, President Reagan announced on August 2, 1983, that he was requesting a study of the reports on hunger and an assessment of Federal food assistance programs which had been established to assist the needy. The President's Task Force on Food Assistance was formally established by Executive order on September 8, 1983, with 13 members. The task force conducted seven regional meetings in the fall of 1983 prior to making its recommendations in early January, 1984. Of 19 specific recommendations, 9 pertained to the food stamp program.

The primary recommendation of the task force was that participation in any or all existing Federal food assistance programs, including the Food Stamp Program, should be optional for individual States, so that States could choose to operate a federally financed autonomous food assistance program of their own design to provide for the food needs of low-income Americans. States would have the choice of the optional autonomous, or block grant style, program for each individual program.

For example, States would have the option, under the task force recommendation, of establishing an autonomous food assistance program in lieu of the Federal Food Stamp Program, while continuing to maintain the Federal School Lunch Program. Under the task force recommendation, funding allocations to States that choose to establish an autonomous food assistance program should be made according to a formula that would provide a predictable level of funds that meets the varying needs for food assistance in those States. This formula should be based on existing baseline levels of funding, on changes in food costs, and on the State population in need, for example, as reflected by the rate of unemployment in the State. The task force also recommended that safeguards should be incorporated to ensure that local jurisdictions in those States operating an autonomous food assistance program would not have to bear an increased share of administrative costs.

For those States that continue to operate a Federal Food Stamp Program, the task force made the following additional recommendations:

Restore the food stamp allotment to 100 percent of the cost of the thrifty food plan;

Raise the asset limits for food stamp eligibility; specifically the task force recommended that the limit be raised to $2,250 for nonelderly households (presently set at $1,500), and $3,500 for households of two or more, one of whom is elderly (currently $3,000). In addition, the exemption for an automobile should be raised to $5,500;

Insure that individuals without fixed home addresses are eligible for participation in the Food Stamp Program;

Cash out food stamp benefits for the disabled and the elderly; or encourage States to permit the elderly and SSI recipients to use food stamps to purchase prepared meals;

Simplify application procedures in the Food Stamp Program; specifically recommended was categorical eligibility for all AFDC and SSI households;

Require States to be fully responsible for overpayment errors in excess of 5 percent. A reward system for States with error rates below this level should also be established;

Encourage States to be fully responsible for overpayment errors in excess of 5 percent. A reward system for States with error rates below this level should also be established;

Encourage States to keep food stamp offices open during some nonbusiness hours, for example from 5 to 9 p.m. on some weekdays or during some hours on Saturday. This can be accomplished by closing offices an equivalent number of hours during regular working hours, thus keeping administrative costs approximately the same; and

Permit States to stagger the delivery of food stamps throughout the month and to adopt administrative procedures to promote staggered distribution by the States.

Food stamp allotments were raised to 100 percent of the thrifty food plan, from 99 percent, as part of the continuing appropriations act (Public Law 98-473). Several of the other task force recommendations are addressed by the Committee bill. Specifically, the Committee bill provides specific authority to ensure that the homeless are provided food stamp benefits, that States review their operating hours, to permit staggered issuance of benefits, to permit States to establish categorical eligibility (for households meeting the food stamp gross income test at 130 percent of poverty), and to move toward the principle that States should be responsible for the dollar value of overissuance errors.

The President's Task Force also concluded that the food stamp program had become more targeted as a result of the 1981 reconciliation changes.

The 1981 changes have "not caused a decline in participation within the poverty population, the Food Stamp Program's primary target population".

Specifically, the task force stated:

> These participation trends suggest that households in poverty continue to have access to the food stamp program and the available food stamp resources have become more effectively targeted towards the poverty population in recent years.

The task force found that food stamp participation had shifted toward those below poverty as follows:

FOOD STAMP TARGETING

[In percent]

	Share of recipients in families with income below	
	100 pct. of poverty line	130 pct. of poverty line
1979	59.3	72.6
1980	63.1	76.8
1981	65.4	78.3
1983	71.3	83.7

Source: Special Tabulations from March Current Population Survey, Bureau of the Census.

Many of the task force findings have been substantiated by another, more recent, report released this summer by the Department of Agriculture. (See "The Effects of Legislative Changes in 1981 and 1982 on the Food Stamp Program", prepared by the Urban Institute for the Office of Analysis and Evaluation, Food and Nutrition Service, U.S. Department of Agriculture, May 1985.)

The new report was required by the Omnibus Budget Reconciliation Act of 1982. Among other things, the current study found that:

The legislation of 1981 and 1982 had a perceptible impact on food stamp caseloads, average benefits, and total costs, but far less than was previously expected.

The composition of the caseload did not change as a result of the legislation.

While cost of living delays decreased the purchasing power of benefits for a temporary period, subsequent adjustments restored the value of maximum benefits to previous levels.

The average incomes of food stamp recipients were virtually unchanged over the period in which the legislation was implemented.

While the recession affected the number of program participants to some degree, the impact on caseloads and costs was far lower than expected because the relationship between the Food Stamp Program and the unemployment rate is far more complex than previously thought.

The study found concluded:

> The findings of this study support the conclusion that the changes enacted in 1981 and 1982 did not fundamentally change the basic structure of the Food Stamp Program. As a result, the effects of the legislative changes on the number of participants, average benefits, and total program costs were smaller than originally expected.

The study also noted that savings from the reconciliation bills were overstated:

> The study found that the legislative changes—independent of changing economic conditions and demographic characteristics—reduced program costs in Fiscal Year 1982 by about $450 to $650 million, a reduction of about 4 to 6 percent. These savings are well below the level of savings expected at the time of enactment of the 1981 and 1982 legislation. Several factors tended to reduce the actual savings relative to the original projections. Most notably, the

> projections were based on assumptions about the performance of the economy—particularly about the course of food price increases—that were not borne out.

The study's conclusions with regard to lower savings from differences in actual food price inflation thus confirmed an earlier CBO analysis that had indicated the 1981 budget savings to be overstated. (See "Revised Estimates of Effects of Legislation Enacted During 1981 Affecting the Food Stamp and Child Nutrition Programs", pages 45-55 of hearing on "Administration's Budget Proposals for the Food and Nutrition Service Programs", Senate Committee on Agriculture, Nutrition, and Forestry, April 11, 1983.)

CBO found the 3-year savings from the 1981 reconciliation bill overstated by $700 million, and the overestimate from the 1981 farm bill to be $500 million over 3 years. Both overestimates were because food price inflation had been considerably lower than assumed in the original CBO effects of cost-of-living adjustments for several program changes enacted in 1981.

The Committee also heard discussion in Committee testimony regarding the impact of food stamp spending on the "safety net" of Federal programs available to the poor.

Mr. John C. Weicher, F. K. Weyerhaeuser Scholar in Public Policy Research at the American Enterprise Institute, testified before the Nutrition Subcommittee on June 14, 1985, with regard to the food stamp program and the safety net.

> . . . Clearly there has been a change in the momentum of policy, if not the direction. The growth of safety net programs has been slowed if not halted, and the safety net has not been extended further.
>
> But the effects of this change in direction on the welfare of most households have probably been small. The changes in the income maintenance programs turn out to be less significant than much of the public discussion would suggest. "The 'safety net' has probably been maintained, particularly for the poorest people.

Robert Greenstein, Director of the Center on Budget and Policy Priorities and former Administrator of the Food and Nutrition Service under President Carter, testified at the same hearing:

> For some time, there was a fair amount of debate between those who argued that cuts in the food programs had caused a large upsurge in hunger and those who denied that a hunger problem existed. I think the evidence increasingly indicates that both of these positions were mistaken. The program of hunger is real, but it is caused by many factors. Federal budget cuts in food programs probably were not in the principal cause here.

The Committee has monitored the performance of the Federal food assistance programs closely since the adoption of the 1981 and 1982 legislative changes, and will continue to maintain oversight of the program following adoption of the Committee's recommendations included in this reauthorization. The Committee believes, that with the changes recommended by the Committee, the food stamp program will continue to respond appropriately to the food needs of poor Americans.

PURPOSE AND NEED

Publicly operated community health centers—(Sec. 1401)

As a general rule, the Food Stamp Act of 1977 does not permit individuals in *institutions* to participate in the food stamp program. Rather, only individual households are typically permitted to participate. However, certain exceptions to the general rule are provided in the statute to permit individuals in certain institutions to participate in the program. Food stamps may be provided to residents of, and used for meals prepared and served in, approved drug addiction and alcoholic treatment programs, group homes for the disabled, and shelters for battered women and children. With regard to drug addiction and alcoholic treatment programs, the statute provides approval of such residential programs in *private, nonprofit* institutions.

Prior to 1982, residents of twelve community mental health centers in Mississippi, which operate halfway houses for alcoholics, had participated in the food stamp program.

In 1982, the U.S. Department of Agriculture notified these community health centers that they could no longer accept food stamps for their residents. The Department ruled that all but one of the programs in Mississippi were ineligible to participate in the program on the grounds that they were *public,* not private agencies.

The Department reached the conclusion that the agencies were public, rather than private, operations based on information from the Mississippi Tax Commission which indicated that the institutions were State-owned and operated public institutions. The centers were established by the State under regional commissions whose boards are appointed by the boards of supervisors in the counties. In this sense, the centers are public. However, the commissioners that supervise the centers are private citizens; the employees are not public employees, and the centers are not directly supervised by any agency of Mississippi's State or county governments. Additionally, the programs are identical to those in other States that are privately incorporated and that have self-perpetuating boards of directors.

Public Law 98-107 in 1983 (the agriculture appropriations bill for fiscal year 1984) included legislative language intended to permit these public community health centers to continue participation in the food stamp program. The Office of Management and Budget applied the change only to the fiscal year (1984) in which the legislation was applicable.

Earlier this year, the Congress included in the supplemental appropriations bill for fiscal year 1985 (Public Law 99-88) similar language intended to make permanent the applicability of the change.

The Committee's provision amends the Food Stamp Act of 1977 to specify that publicly operated community health centers (such as those identified in Mississippi)—which provide the same type of residential programs for alcoholic or frug rehabilitation as in the case of private, nonprofit institutions—can participate in the food stamp program. Inclusion of this provision clearly makes the change a part of permanent law.

Definition of thrifty food plan—(Sec. 1402)

Section 1402 would make a technical change in the Food Stamp Act to change one of the age ranges in the 4-person reference family used in calculating the amount of the specific thrifty food plan used in the food stamp program.

The thrifty food plan is a research-based set of economical and nutritious diets that, insofar as possible, reflects food choices of households with limited food budgets. It is composed of an assortment of foods that represents as little change from average food consumption of persons in U.S. households with relatively low food costs as was required to provide a nutritious diet while controlling costs.

The thrifty food plan specifies the amounts of foods of different types (food groups) that households might buy, or obtain from other sources, to provide nutritious meals and snacks for household members. In the plan, amounts of food groups are suggested for men, women, and children of different ages.

For purposes of food stamp benefit determination, the Food Stamp Act specifies that benefits shall be based on a 4-person family consisting of one man and one woman, ages 20–54, and two children, ages 6–9 and 9–11.

Under the provision adopted by the Committee, the ages of the adults in the reference family would be 20–50 years old instead of 20–54 years. Such a change was recommended by the Administration, in S. 969, so that the age categories used for the thrifty food plan will correspond to the age categories used by the National Academy of Sciences—National Research Council in developing the Recommended Dietary Allowances.

When the Thrifty Food Plan was revised in 1983, the food costs for the two groups (adults 20–50 and adults 20–54) were the same. The food consumption patterns for the 20–54 group are the same for seven of the eleven major food groups used in developing the thrifty food plan. There are only minimal differences in the other four food groups.

A final reason for the change is that the original age range of 20–54 was selected in 1971 to conform with the age ranges of the 1968 Recommended Dietary Allowances which were in use when the economy food plan (the forerunner of the thrifty food plan) was adopted. New research led to revision of the age range to 20–50 years in the corresponding 1980 Recommended Dietary Allowances.

The provision is largely a technical change to make the statute consistent with the underlying thrifty food plan on which food stamp benefits are based.

Definition of disabled—(Sec. 1403)

Since 1979, certain disabled persons (and elderly persons over age 60) have received special treatment in determining their food stamp eligibility and benefits. At present, the special treatment consists primarily of (1) the right to deduct any medical expenses of an elderly or disabled household member, to the extent the expenses exceed $35 a month; (2) the ability to claim an excess shelter expense deduction without regard to the dollar limit (currently $134 per month) imposed on other households; and (3) exemption from the food stamp gross income eligibility test (although their net income, after allowable deductions, must still be below Federal poverty levels).

In making this special treatment available to the disabled, Congress has sought to limit the definition of a disabled person, for food stamp purposes, to those who are seriously disabled: i.e, those who must meet the permanent and total disability test of the Social Security Act, or a similarly strict test.

Congress has also constructed the definition so that it is simple to administer—i.e., so that food stamp eligibility workers need not administer a disability test, but can rely on information derived from Federal disability programs. As a result, the definition of disabled for food stamp purposes now includes:

(1) those receiving social security disability benefits;

(2) those receiving basic Federal Supplemental Security Income disability or blindness benefits, or similar benefits in the territories;

(3) veterans receiving compensation for service-connected disability rated at 100 percent; and

(4) veterans' survivors (spouse and children) receiving veterans benefits who have a disability considered permanent under social security disability rules.

Inasmush as the definition of disabled is explicitly defined in the statute, legislative changes have been required in recent years to broaden the statute to include other, similarly situated disabled persons. Most recently, in 1982, the statute was expanded to include certain disabled veterans and disabled survivors of veterans.

The provision adopted by the Committee would replace the specific references to recipients of SSI and veterans disability payments with a general definition of disabled. This new definition would include individuals who receive Federal benefits based on a determination of blindness or disability under criteria that the Secretary determines are the same as, or provide for substantially the same degree of disability or blindness as, the criteria for disability or blindness prescribed in the Social Security Act.

The Committee specifically notes that it is not the intent of the provision to reduce eligibility of categories of disabled persons now provided for specifically in the statute, but rather to provide greater flexibility for the Secretary to establish regulations establishing comparable access for similarly situated food stamp recipients receiving various Federal disability benefits in the future, without requiring repeated Congressional action.

Food distribution program on Indian reservations—(Sec. 1404)

The Committee adopted a provision, recommended by the Administration, to require, as a condition of eligibility for the Food Distribuition Program, social security numbers from participants.

The bill amends both the Food Stamp Act of 1977 and section 4 of the Agriculture and Consumer Protection Act of 1973; the latter authorizes the Food Distribution Program on Indian Reservations, also known as the Needy Family Program. Current law permits an Indian household to participate in either the food distribution program or the food stamp program at any given time, but not both simultaneously.

The provision requires that social security numbers be submitted for all household members in order to be eligible to receive commodities under the program and permits the Secretary and State agencies to match the numbers with those of food stamp participants to verify program eligibility and ensure against dual participation.

Requiring social security numbers would improve the accountability and administration of this program and the food stamp program by establishing a common mechanism to ensure that no members of a household are participating in both programs.

It is the intent of the Committee that the Department apply the same type of flexibility in requiring participants in the Food Distribution Program to obtain social security numbers as is currently applicable in the food stamp program. Present food stamp regulation allow for an initial period of participation from the date of eligibility determination while awaiting receipt of the social security number. This allowance provides a reasonable time for newborn household members to be assigned a social security number as well as to accommmodate emergency situations and cases in which applicants do not have a social security number.

Third-party payments—(Sec. 1405)

The Committee has included a provision to count as income for food stamp purposes certain third-party payments for basic needs from state and local governments such as aid provided through AFDC and general assistance programs sources. Third-party payments for medical, child care, or energy, would still be excluded as income, and the Secretary would be authorized to exclude certain emergency or special assistance. The provision was suggested by the Administration's proposed legislation (S. 969) and is intended to specify in the statute current regulatory policy based on previous congressional intent.

Specifically, section 1404 would amend the Food Stamp Act to provide explicit authority for the current regulatory practice which is to include as income benefits provided to third parties on behalf of households by the Aid to Families with Dependent Children (AFDC) program and by State and local governments. However, again, as specified in current regulations, medical, energy, and child care assistance, would not be included as income. The Secretary would be authorized to provide, by regulation, an exclusion for certain third-party payments for emergency and special assistance; for example, if the payments exceeded usual grant levels, they could be excluded.

Currently, the Act excludes from the definition of income benefits which are not in the form of money payable directly to a household. However, the legislative history accompanying this part of the Act (House Report No. 95-464; June 24, 1977; page 34) States: "It should be noted that any money payable to a household, but diverted from it to a third party, either of the household's own free will (e.g., an arrangement with an employment to deduct the rent and mail it to the landlord) or involuntarily (e.g., court-order garnishment of Wages) would be counted as income and would not be excluded. . ."

Based on the legislative history, the language in the Act has been interpreted by the Department so that AFDC protective payments and certain general assistance payments provided by State and local governments through vendor payments rather than payments directly to the household have been included as income. The Committee agrees with the Department's position that such an interpretation is the logical one, particularly so when the same assistance is provided to other recipients in cash, and must be included as income. However, the policy on general assistance vendor payment has been challenged in at least two court suits.

The Committee has included this privsion to help assure that the Federal Government's position is upheld and congressional intent is served. The language of the Committee's provision refers specifically to payments of the AFDC program, State and local general assistance program, and othe basic assistance programs, as determined by the Secretary, payable for living expenses. General assistance is provided under many different names and indifferent form. The Secretary has the discretion to determine whether payments, by whatever name, are for living expenses, and, in effect, part of a regular program of aid and thus subject to the provision's application.

In some cases, general assistance may be provided as third-party payments only, with no payments going directly to households. Under the Committee's provision, none of these distinctions would matter, since any governmental payment made to the provider of goods or services on behalf of a household (in lieu of a payment made directly to the household) would be included as income unless specifically excluded by regulations promulgated under the authority provided to the Secretary.

The provision will reinforce Congress' historical intent that payment from governmental assistant programs be included as income regardless of their form and ensure equity between groups of individuals who receive assistance in varying forms.

Reimbursements and payments on behalf of students—(Sec. 1406)

The Committee adopted a provision to reinforce current regulatory policy with regard to the counting of certain income for students. The Committee bill would require that deferred education loans, grants, scholarships, and the like be counted as income if provided as a vendor payment. The bill also provides that no portion of any deferred repayment of a student loan, educational grant, scholarship, or the like could be excluded from income as a "reimbursement".

In essence, the provision clarifies that such grantees are only excludable to the extent utilized for tuition and mandatory fees. Currently, for example, some students are receiving Federal income assistance (such as Supplemental Oportunity Grants, known as SEOGs or Pell Grants) through their colleges in such a manner that the students are construing the assistance to be vendor payments or reimbursements which would be excluded under the general rules which excluded all vendor payments and reimbursements. These grants are provided to individual students, although the funds are ofter channeled through the college to the student. However, the grants should not be considered "vendor payments" or "reimbursements" excludable as income.

The Committee is acting in response to several court challenges to this policy. While the court challenges have focused on Federal education assistance, the provision applies to any education assistance—whether Federal, State, local, or private. Enactment of the proposal would render the court challenges moot, thus ensuring that expenses for items other than tuition and mandatory fees will be handled in the same way for all students whether or not they receive education assistance directly or channeled through their colleges. Additionally, the proposal would result in administrative simplification and error reduction since all education income that is not used for tuition or mandatory fees would be counted as income for food stamp purposes without having to apply the additional reimbursement and vendor payments rules.

The Committee recognizes that certain courses of study normally require special materials above and beyond books and routine supplies. For example, a cosmetology school may require all students to furnish their own scissors and combs. A chemistry course may require all students to provide their own gloves and smocks for use in the laboratory. The Committee intends for the Department to allow the portion of educational assistance which is used to pay for such required expenses to be excluded from gross income, because it is a mandatory fee. Current program regulations define a mandatory fee as one charged to all students or one charged to all students within a certain curriculum. Accordingly, a lab fee charged to all students in a science course is excluded from income. The Committee intends for this exclusion to be broadened to recognize that certain supplies are required of all students even though a separate fee is not imposed for these supplies. The Committee further intends that this exclusion be limited to special supplies and materials, not books or office supplies.

Nonrecurring lump-sum payments (Sec. 1407)

In the Food Stamp Program, lump-sum payments (which include such payments as income tax refunds, rebates, or credits, retroactive lump-sum Social Security or railroad retirement pension payments, and retroactive lump-sum insurance settlements) are not counted as income in the month received. Rather, such amounts are counted toward the resource, or asset, limits.

As a result of the Omnibus Budget Reconciliation Act of 1981, lump-sum payments are counted as income in the AFDC Program. Such payments are counted along with any other household income to determine whether the household is eligible for AFD benefits. If the total income, including the lump-sum payment, surpasses the eligibility standard—called the standard of need in AFDC—the household is ineligible to participate during that month. Any remaining amount from the calculation for that month is carried forward to determine how many additional months (or part of a month) the household will be ineligible or how much its benefits will be reduced. For instance, assuming a standard of need of $400, and regular monthly income of $100, if the household receives a lump-sum payment of $350, in a month the household would be removed automatically from participation for 1 full month, because the total income received—$450—exceeds the maximum standard of need, of $400. Additionally, the balance resulting from the calculation—$50—is carried over into the next month, together with any regular income—$100 in this example—and affects benefits in that month, as well as the initial month.

In the SSI Program, lump-sum payments are counted as income in the month received. Thus, if the payment is larger than the eligibility standard in the SSI Program the household is removed from participation for that month, or, if less than the standard, benefits are reduced. However, they are not removed for subsequent months (nor are their future benfits affected) no matter how large the lump-sum payment may have been. In subsequent months, any remaining money is counted towad the resource limit in SSI.

The effect of the current dissimilar treatment of lump-sum payments (between the food stamp program and the AFDC and SSI programs) can result in increased food stamp benefits to certain households that receive lump-sum payments.

This is because AFDC and SSI cash payments—which are counted as income in the Food Stamp Program—have been reduced in those programs because of the increased income from the lump-sum payment. However, inasmuch as the Food Stamp Program does not count the lump-sum payment as income, but only the cash assistance grant (which has declined), food stamp benefits are increased.

The Committee adopted a provision to provide that food stamp benefits may not be increased as a result of a reduction in AFDC or SSI benefits caused by counting the lump-sum payment as income in those programs. Instead, food stamp benefits would be based on the level of the AFDC or SSI benefit if no lump-sum payment had been received.

Child support payments—(Sec. 1408)

The Committee adopted a provision to permit any State to exclude from income (for food stamp eligibility and benefit determination purposes) child support payments which are excluded for purposes of AFDC recipients, if the State agrees to pay for any additional food stamp benefit costs that are due to such an exclusion.

The Deficit Reduction act of 1984 (P.L. 98-369) required States to disregard the first $50 in child support payments collected on behalf of families participating in the Aid to Families with Dependent Children (AFDC) program when computing the AFDC recipient's benefit.

The result of the exclusion is that AFDC payments are somewhat higher than they would be were it not for the exclusion.

The Food Stamp Program continues to count such payments, if received directly by the household, as income. If the amount is collected by the State on behalf of the AFDC participant, the food stamp program counts the payment by virtue of the fact that the AFDC benefit does not reflect the receipt of the $50 child support payment (that is, the AFDC payment is higher).

Some States have contended that the different treatment of child support payments between the AFDC and food stamp programs may result in errors in determining correct food stamp benefits.

In response to this situation, the Committee adopted a provision to permit States to opt for similar treatment (that is, to disregard in the food stamp program, as well as the AFDC program, the first $50 in child support to AFDC participants). However, any increased cost from the provision would have to be paid by the States to the Secretary. Inasmuch as the "incentive" for collecting child support payments accrues exclusively to the AFDC program (with reduced State costs associated with that program), the Committee provision protects against increased costs associated with extending this exclusion, at State option, to the food stamp program.

The determination of the amount of such reimbursements would be determined in a manner prescribed by the Secretary. The Congressional Budget Office estimates that increased food stamp costs of $50 million annually would result if all States opted for the exclusion of these payments.

States, in examining their error rates, may find that it would be more cost effective to pay the increased costs associated with the exclusion of certain child support payments than to be subject to fiscal sanctions for such errors, which some States have indicated to be a concern. Other States may wish to implement the provision as a matter of policy.

Homeownership component of shelter costs—(Sec. 1409)

Section 1407 would amend the Food Stamp Act making a technical change changing references to the homeownership component of shelter costs. This term is used in the Food Stamp Act to describe the method for calculating the annual adjustments in the standard deduction and the cap on the excess shelter expense deduction, the dependent care deduction, and the combined deduction for shelter and dependent care. In 1980, the Act was changed to ensure that indexing of these deduction levels would reflect costs most likely to be incurred by food stamp recipients, who are generally not homeowners. Annual adjustments were tied to shelter costs measured by the consumer price index, without regard to the "homeownership component". The homeownership component consisted of three cost categories: home purchase; financing, taxes, and interest; and the costs of maintenance and repairs. It was one of two components of shelter costs in the Consumer Price Index for all urban consumers (CPI-U). The Bureau of Labor Statistics no longer develops a homeownership component of shelter costs for the CPI-U. Now there are three components of shelter costs in the CPI-U: renters' costs, homeowners' costs, and maintenance and repairs. Therefore, the Food Stamp Act references need to be changed.

The Committee's bill substitutes references to the "homeownership component" with references to the "homeowners" cost component" and the "maintenance and repair component", thereby leaving "renter's costs" as the determining component, as was the intent of the 1980 revision.

Energy assistance payments—(Sec. 1410)

The Committee adopted a provision to clarify that shelter expenses covered by any kind of Low-Income Home Energy Assistance Act (LIHEAA) payments do not qualify as household expenses for the purpose of calculating the excess shelter expense deduction. Such expenses would not be deductible whether the energy assistance payment was made directly to the household or to an energy supplier through a so-called "vendor payment".

In determining food stamp eligibility for most households, the Food Stamp Program looks primarily at a household's monthly gross income. Further, for purposes of determining actual benefit levels, the program considers the household's net, or countable, income after certain deductions are taken. For every dollar in net income, benefits are reduced by 30 percent (the benefit reduction rate). The primary effect of the various deductions is thus to lower the net income for participating households, and, consequently, to increase food stamp benefits.

One such deduction is for excess shelter costs and dependent care expenses. (Currently, actual amounts up to a maximum of $134 per month for these combined factors are permitted for most households.) By regulation, shelter costs include rent, mortgage, property taxes, heating or cooling expenses, water, sewerage, garbage and trash collection, and the basic service charge for one telephone. Excess shelter costs are defined as being those that exceed 50 percent of the countable income remaining after all other potential deductions and expenses have been subtracted out.

Several food stamp program policies, coupled with some court interpretations of another statute dealing with energy assistance, have created an anomoly in the food stamp program which the Committee's provision is intended to correct. This anomoly results because some court rulings have allowed households to claim as a shelter expense those energy expenses that were paid through assistance programs where the payment went directly to the energy provider, thus reducing or eliminating actual (out-of-pocket) costs to the household.

As a general principle, the Food Stamp Act excludes "expenses paid on behalf of the household by a third party" from deductible shelter expenses. This exclusion was added by the Agriculture and Food Act of 1981 (P.L. 97-98) to codify a regulation then in effect which disallowed a deduction for expenses paid for by a third party. The legislative history explicitly stated that no deduction would be allowed ". . . if a household's winter fuel bill is paid directly by an energy assistance program, i.e., the program pays money to the fuel provider directly . . ." (H.R. Report No. 106, 97th Congress, 1st session, pages 128–129).

As part of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), the Congress established the Low-Income Home Energy Assistance Act, providing a block grant for previous Federal energy assistance programs. Under that statute, statutory language was included that specified that payments under the act should not be counted as income or resources "under any Federal or State law relating to taxation, food stamps, public assistance or welfare programs." The Food Stamp Program has consistently excluded as income any payments or allowances made under Federal laws dealing with energy assistance—both as a result of this LIHEAA reference and because of explicit Food Stamp Act language initially added by P.L. 96-249 in 1980 (now specified as section (5)(d)(11)(A)). The exclusion of Federal energy assistance payments as income, for food stamp purposes, is not changed by the Committee's modification.

Changes are made, however, with respect to the treatment energy expenses paid by food stamp recipients using Federal energy assistance payments or paid directly to utilities on behalf of food stamp recipients.

Despite the clear intent of Congress in 1981 regarding the Food Stamp Program's handling of energy assistance vendor payments, the United States Court of Appeals for the Eighth Circuit in June 1982 upheld a lower court's adverse decision on the policy in the case *Schmiege v. Sec. of Agriculture, 693 F. 2nd 55 (8th Cir. 1982).* The decision overturned the Department's policy of not allowing deductions for vendor payments made under LIHEAA on the basis that LIHEAA took precedence over the Food Stamp Act even though the Food Stamp Act amendment (in P.L. 97-98) was approved subsequent to the LIHEAA (in P.L. 97-35). The decision has been implemented in the Eighth Circuit only. Another case (in Idaho) has also been recently decided against the Department on this issue, but is under appeal. The Idaho State agency is following the adverse court decision during the course of the appeal.

The Eighth Circuit decision was based on conference report language preceding that of both pieces of 1981 legislation (P.L. 97-35, and P.L. 97-98). The court's construction was thus based on provisions superseded by the 1981 legislation. The court relied on the Home Energy Assistance Act (as Title III of the Crude Oil Windfall Profit Tax Act of April 2, 1980, P.L. 96-223). Conference report language confused the issue. The report noted:

"The conference agreement requires that fuel assistance payments or allowances provided under this title will not be considered income or resources of an eligible household for any purpose under a Federal or State law. The conferees wish to emphasize that this provision applies regardless of whether the fuel assistance is paid directly to the household or to the supplier of energy to the household. Thus, under any law, such as the Food Stamp Act of 1977, which provides that benefits may depend on the expenditures of the household for fuel, any portion of these expenditures which may be paid by the fuel assistance program authorized in this conference agreement will not be considered a resource available to this household even if the payment is made directly to the energy supplier. Thus, under such a law, benefits will be computed as if the total cost of the fuel, including the amount of assistance provided, had been paid by the household." (House Conference Report 96-817)

The difficulty in this legislative history is that the fourth and final sentence does not deal with the subject matter addressed by the first three sentences. The Committee provision does not change the fact that energy assistance payments are not counted as income or a resource available to the household. However, the conference report's fourth sentence does not follow, but rather deals with how expenses used to determine the excess shelter deduction shall be determined.

The Administration proposed, in S. 969, a statutory clarification to firmly restate the principle that deductions should not be allowed for expenses that are paid for by vendor payments excluded as income, regardless of the legislative authority under which the vendor payments are provided, and thus to override the Schmeige decision.

The Committee provision goes a step further to remedy a second inconsistency in the Department's administration of the excess shelter deduction. As described above, it had been the Department's position that vendor payments made on behalf of food stamp recipients could not be claimed as a deduction under the excess shelter deduction. The Committee provision reaffirms the Department's policy in this regard.

However, the Department has previously taken the position that energy expenses paid by food stamp recipients who receive direct, as opposed to vendor, energy assistance payments could be taken as excess shelter costs.

Thus, the policy for direct energy payments is contradictory to the Department's policy with regard to indirect, or vendor, payments.

In order to establish greater equity and logic, the Committee provision explicitly provides that shelter expenses paid by any type of Low-Income Home Energy Assistance Act payments (direct or indirect) do not qualify as household expenses for the purpose of calculating the excess shelter expense deduction. Such expenses would be nondeductible whether the LIHEAA payment was made directly to the household or to an energy supplier.

The provision would also require State agencies to take into account only out-of-pocket expenses above and beyond LIHEAA payments for energy costs paid by households receiving LIHEAA payments when the State agencies calculate their standard utility allowances. If the current standard utility allowance is based on overall energy expenses without regard to the availability of LIHEAA payments, the State agency would be required to revise the standard downward to reflect only those out-of-pocket energy expenses of LIHEAA recipients, or the State could devise new standard utility allowances applied only to LIHEAA recipients.

However, the Committee's provision requires that any standard utility allownace applied to LIHEAA recipients must reflect only out-of-pocket expenses above and beyond any LIHEAA payment.

For the purpose of calculating shelter deductions, whether a standard utility allowance is used or not, the Committee envisions allowing the proration of LIHEAA payments over the period for which they are intended.

In summary, the intent of the provision is to make explicit the common sense principle that deductions should not be allowed for expenses that are paid for by payments (direct or indirect) that are excluded as income.

Self-employment income—(Sec. 1411)

The Committee adopted a provision to specify, in the statute, present regulatory policy with regard to the treatment of self-employment income. Specifically, the provision would require that self-employed households which receive their annual income over a period less than a year and have their income averaged over twelve months shall have their income calculated on anticipated earnings projected from the most current income data available, rather than earnings derived from last year's tax return, if the household has experienced a substantial increase or decrease in business.

The policy embodied by the provision is presently found in food stamp regulations at 7 CFR Sec. 273.11(1)(ii). No change in policy is contemplated by the adoption of the provision. However, the Committee is concerned by reports that some States may not be following the policy specified by the regulation. Apparently some States are requiring self-employed food stamp applicants to supply prior year tax returns to make eligibility and benefit determinations even for some farm families who have experienced substantial decreases in income in the current year.

The availability to use anticipated earnings in such cases is explicitly provided by the existing regulation, and by the new provision adopted by the Committee. The Committee expects the Secretary to provide guidance to State agencies to ensure that all areas comply with this policy.

Monthly reporting and retrospective budgeting—(Sec. 1412)

The Committee adopted a provision from S. 1142, introduced by Senator Dole, that modifies the required usage of monthly reporting and retrospective budgeting (MRRB).

Monthly reporting and retrospective budgeting were passed in 1981 as part of the Omnibus Budget Reconciliation Act (P.L. 97-35) to be implemented on October 1, 1983. Subsequent legislation (P.L. 98-107) delayed the mandatory implementation date until January 1, 1984 and further legislation (P.L. 98-204) modified the requirements.

For many years prior to the requirement for monthly reporting, households were responsible for voluntarily reporting changes in their circumstances that would affect benefits. However, in practice, households often did not report such changes, either because they forgot, did not realize it was an important consideration, or sought to conceal such changes. The monthly reporting requirement has been intended to target those households most likely to have changes, and require that they submit information on a monthly basis.

Certain households—i.e., households in which all adult members are elderly or disabled and have no earned income and migrant farmworker households—are legislatively exempted from monthly reporting, while others may be exempted, upon State request, if the State can demonstrate that monthly reporting would not be cost effective for such households. Under present procedures, States submit those categories of households for which they believe monthly reporting is not cost effective to the Secretary of Agriculture who may grant waivers in such cases from the monthly reporting requirement. Typically, the Department of Agriculture has found that monthly reporting is most effective in identifying changing household circumstances with larger households and those with earned income.

The General Accounting Office has found that most errors—benefits overpaid—occur because of errors in reporting or determining income, with errors in earned income the most prevalent error. When MRRB is targeted to those most likely to have fluctuations in earned income it can be an especially effective method of ensuring only the correct benefit goes to eligible households and thus aid in reducing the amount of money misspent in the food stamp program.

Retrospective budgeting, also known as retrospective accounting, is closely associated with monthly reporting. Under restrospective budgeting, the income actually received by the household in a past month, or similar measuring period, is used as the income base for calculation of benefits in the certification period, rather than an estimate as to anticipated future income based on the most current months income (known as prospective reporting). For all households, eligibility and benefits at application, and continuing eligibility after certification, are calculated prospectively.

Retrospective budgeting generally provides more accurate and verifiable information on household income, and hence, a more accurate computation of the household's food stamp eligibility and benefits. Waiver authority is granted to the Secretary with respect to retrospective budgeting similar to what was previously described for monthly reporting. In practice, the Secretary has always granted a waiver for retrospective budgeting, when sought, for categories of recipients for which he has granted a waiver from monthly reporting.

The provision adopted by the Committee continues the requirement that States use both monthly reporting and retrospective budgeting, but limits that requirement to those individuals who have earned income or have a recent work history and are deemed, therefore, more likely to return to work. States are permitted to expand coverage of MRRB to other categories of participants. Households with elderly or disabled members having no earned income and migrant farmworker households will continue to be legislatively exempt from both monthly reporting and retrospective budgeting and, therefore, have benefits calcualted prospectively, as already provided in the Act. In addition, as also provided in the Act, the States may, with the approval of the Secretary, select categories of households which may report at specified less frequent intervals, if the requirement to report monthly would result in unwarranted expenditures for administration of this requirement.

By requiring MRRB only for those households with earnings or recent work history, unless a waiver is sought because MRRB is still not cost effective, the provision will eliminate, in most cases, the time-consuming waiver process. The Committee believes that if such a waiver has been granted under existing provisions of law, the State would not be required to reapply for waiver status until the existing waiver expires.

In essence, the Committee's provision changes the presumption of present law by permitting greater State flexibility while maintaining a core requirement for MRRB for those households most likely to have fluctuations in income—i.e., those with current earned income and those who have a recent work history. Under the existing waiver system, States vary a great deal in their application of MRRB, from as low as 4 percent to as high as 94 percent of participating households. It also conforms food stamp MRRB rules with those in the AFDC program. Under the Committee provisions, the State would have maximum flexibility, and the sole discretion to determine whether, to apply monthly reporting and retrospective budgeting in nonrequired instances, provided that they may not require it in the case of those households legislatively exempted.

As at present, the Secretary should monitor carefully all waiver requests and the operational results of waivers granted for cost-effectiveness reasons. The reduction in the overissuance error rates is a primary concern of the Committee. The Secretary may at any time repeal a waiver if he determines the exclusion of a category of recipient otherwise required to report is contributing to higher error rates.

Burial plots—(Sec. 1413)

The Committee adopted a provision to specify in the statute the existing regulatory policy excluding from the assets test the value of a burial plot for each household member.

The change is consistent with legislative provisions adopted by the Congress in recent years in the AFDC and SSI programs which have specified in the statute what has been the regulatory policy in each of these Federal programs—i.e., that one burial plot per household member is excluded from counting toward the applicable assets test.

The Omnibus Budget Reconciliation Act of 1983 (P.L. 97-253) specifically established the exception for SSI recipients and the Deficit Reduction Act of 1984 (P.L. 98-369) specifically excluded a burial plot for AFDC recipients.

Categorical eligibility—(Sec. 1414)

Under existing law, States may consider households in which all members receive Aid to Families with Dependent Children (AFDC) benefits as having met the food stamp assets (or resource) test, as long as they have a gross monthly income equal to or less than 130 percent of the Federal poverty level (the food stamp gross income eligibility standard).

In addition, AFDC household members complying with AFDC work requirements are exempt from work requirements imposed by the food stamp program. This simplifies food stamp eligibility determinations for AFDC households, since they already must meet AFDC assets or work requirements that are similar to or stricter than those imposed by the food stamp program. However, these households are still subject to food stamp income limits and certain other tests which differ little from AFDC procedures.

Eligibility standards for the AFDC program vary according to State. However, in many States, virtually all AFDC recipients have incomes below food stamp income limits, and meet other eligibility standards similar to or stricter than food stamp rules. In recognition of this situation, section 1411 of the bill would allow States to consider households in which all members are recipients of AFDC benefits and whose gross household income is below 130 percent of poverty (the food stamp gross income eligibility standard) categorically eligible for food stamps—that is, eligible because of their status, thereby removing further food stamp eligibility determination procedures.

In addition, because many recipients of Supplemental Security Income (SSI) benefits have incomes and assets below food stamp limits (or are exempt from certain food stamp rules), the bill would, similarly, extend categorical eligibility to them, as long as the household's gross income is at or below 130 percent of the poverty line. This extension of categorical eligibility to SSI households would not of course, apply in the two States (California and Wisconsin) where increased SSI benefits have replaced food stamps.

Under the provisions of the bill, benefits would still be calculated using food stamp rules. Additionally, other rules, primarily under section 6 of the Act, would still apply. These other provisions disqualify households in cases where, for example, they fail to fulfill work or monthly reporting requirements or do not meet special alien and student limitation. Additionally, the Committee has included language that would ensure that any AFDC and SSI household that loses its eligibility for those programs (for example, if a father returns to the AFDC family or if an SSI recipient loses disability status) would not lose its food stamp eligibility without a determination under food stamp rules that the household fails to meet food stamp eligibility standards.

Households that may not qualify for categorical eligibility could still be evaluated for food stamp eligibility under regular food stamp eligibility rules. This may happen, especially in certain SSI situations, in cases in which a household's gross income exceeds 130 percent, but its net income falls within the net income eligibility ceiling of 100 percent of poverty.

Categorical food stamp eligibility for AFDC and SSI recipients was recommended by the President's Task Force on Food Assistance, based on its finding that administrative simplification is needed in the food stamp program.

Over one-third of all food stamp households are made up of households whose members are all AFDC or all SSI recipients. The Committee expects that the implementation of this provision will reduce the administrative time needed to handle their cases, thereby allowing administrative resources to be more efficiently allocated, without loosening food stamp eligibility requirements.

Job Training Partnership Act benefits as income—(Sec. 1415)

Section 1406 would amend the Food Stamp Act to include allowances, earnings, and payments to participants in program under the Job Training Partnership Act (P.L. 97-300) as income for food stamp purposes.

The Job Training Partnership Act (JTPA) was enacted in October 1982 to replace the Comprehensive Employment and Training Act. JTPA is the central Federal job training legislation. Under JTPA, Federal funding is provided for training unskilled persons and dislocated workers. There are three types of income that JTPA participants may receive: (1) allowances during their training, (2) earnings for JTPA-subsidized jobs performed in conjunction with training, or (3) needs-based payments.

The Job Training Partnership Act currently prohibits programs other than those established by the Social Security Act from counting any of these three types of income received under the Act as income even though such funds are available for households' use without restriction. These JTPA allowances, earnings, and payments are all cash income which participating households may use for any purpose, including the purchase of food. Thus, the Committee agreed with the Administration's contention that there is no inherent reason for excluding any income from JTPA as income for food stamp purposes. Indeed, in certain situations, JTPA-related income may replace other income which is fully countable, such as AFDC grants.

The provision adopted by the Committee would delegate the income exclusion for all JTPA income (i.e., allowances, earnings, and payments described above) in order to restore equity to the treatment of households with similar circumstances other than the receipt or nonreceipt of JTPA stipends. The Department of Labor does not collect information on the amount paid as stipends or allowances to JTPA participants. Thus, no information is available on the maximum or average JTPA income a household may receive. Whatever level of income a household does receive under current law, its exclusion under current law results in a JTPA household receiving a higher food stamp allotment than a similar household with the same income from other sources. Continuation of such an inequity cannot be justified since a household's total income is the basic financial determinant of the amount of food assistance needed.

Also, enactment of the proposal would improve coordination in this area between the Food Stamp Program and the AFDC program, as well as other programs established by the Social Security Act (SSA), in which all JTPA income (allowances, earnings, and payments) is generally counted as income for purposes of eligibility and benefit determinations. This will simplify program administration and eliminate one possibility for payment errors.

Employment and training program—(Sec. 1416)

The Committee adopted a provision to require States to begin operating an employment and training program to ensure tht an increasing percentage of able-bodied food stamp recipients are involved in some work-related activity in exchange for the continued receipt of food stamp benefits.

Recent evidence from demonstration projects in work registration and job search and workfare show that efficiently operated work programs can increase recipients earning and reduce program costs. (See "Food Stamp Work Registration and Job Search Demonstration: Evaluation Report", June 1985.) Furthermore, the volume of work-related activities in the AFDC program (in which States share in benefit costs and savings) has increased substantially in the past several years.

The objective of the Committee provision is to ensure that all States develop meaningful work programs to assist able-bodied recipients to move toward greater self-sufficiency by finding paid employment. In addition, the implementation of such work requirements will deter participation by able-bodied persons who refuse to comply with such requirements in exchange for their food stamp benefits.

The Committee's provision provides sufficient flexibility such that States would be able to employ a wide range of work programs similar to those available in the AFDC program.

Food stamp participants now required to register for work include most unemployed, able-bodied adult household members; in addition to registering for work, they must also fill job search requirements designed by the Secretary. Federal food stamp regulations have established a standardized system of required job contacts and follow-up similar to that utilized in the unemployment compensation program. However, job search requirements are not uniformly enforced nationwide and are funded differently from other food stamp administrative procedures. Job search administration is currently optional to State agencies and fully funded by the Federal Government. Under the Act, the Department currently contracts with 39 States to enforce the federally described job search system, and the States are awarded a portion of a pool of job search administration funding set aside by the Department (rather than the normal 50 percent Federal cost-sharing arrangement). However, some States have not used this money and, in effect, have no job search requirements for able-bodied recipients in their States.

Because of concerns with the lack of State effort being used to encourage or require work-related activities for the able-bodied, the Committee adopted a mandatory program, in which every State will be required to initiate an employment and training program. The State will have considerable flexibility in establishing its program under guidelines to be established by the Secretary.

The State will have the option to establish an overall program which may include several components, or only one. Among the possible approaches that may be taken are workfare and various job search training and support programs (such as job findings clubs, job placement services, jobs skills assessments, training in techniques for employability, or other direct training or support activities).

The new program established by the Committee bill provides many of the same parameters and safeguards which currently exist under the optional workfare program. Household members in a employment and training program requiring work would work for the number of hours per month that is determined by dividing their food stamp benefit by the applicable minimum wage. Thus, for example, a household receiving $134 in food stamps per month would be required to work in employment and training program activities for 40 hours per month ($134 divided by $3.35 per hour=40 hours). As with food stamp workfare programs, the recipient may not be required to work or participate in other, nonwork employment and training activities for more than 120 hours per month in combination with other hours worked—either hours of paid employment or other in-kind work such as workfare or other work-related requirements of other welfare programs.

Additionally, the State is to ensure that the new program does not have a displacement effect on ongoing employment and that the same benefits and working conditions are provided to program participants as are available to employees performing comparable work for comparable hours.

Also, like existing workfare guidelines, States are required to reimburse participants for actual costs of transportation and other actual costs that are reasonably necessary and directly related to participation in the program but not to exceed $25 in the aggregate per month. The Federal Government would reimburse the State agency for 50 percent of these costs. These do not include costs of equipment, tools or materials used in connection with the work performed by participants, costs of supervising participants, or reimbursements for meals away from home. States would be permitted to pay for additional costs above $25 per participant, but these would be funded entirely by the State.

Two additional parameters are specified in the statute, although, in practice, these have generally governed the existing workfare programs. To the extent possible, the State agency is to take into account the prior training, experience, and skills of household members participating in the employment and training program. Such programs are limited to projects that serve a useful public purpose in a field such as health, social services, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, or day care.

The Committee bill authorizes grants, beginning at $40 million for fiscal year 1986, for the purpose of operating the new employment and training program. These annual grants would be increased to $50 million in fiscal year 1987, $60 million in fiscal year 1988, and $75 million in fiscal year 1989. Matching funds, at a regular 50 percent reimbursement, would be available to any state should State administrative costs associated with the program exceed the grant level allocated by the Secretary.

Those persons to be included in the program are those required to register for work and who have participated in the food stamp program of 30 days. (Depending on whether the State uses a calendar month or a budget month, the provision contemplates a one month period of approximately 30 days.)

In the case of households who are assigned to participate in the program, but do not comply, the household is ineligible for food stamp participation for two months, the same penalty period as exists presently for work registration and workfare violations.

The Committee provision phases in an escalating percentage of the able-bodied who each State must ensure are complying with the employment and training program. By the end of fiscal year 1987, 25 percent of recipients subject to the provision must be participating in the employment and training program. This level must be maintained and increased by the State through fiscal year 1989 and 1990 so that by the end of fiscal year 1990 and thereafter 45 percent of those subject to the requirement are participating.

Should the Secretary determine that the State fails to meet these performance standards, or other minimum standards prescribed by the Secretary under his authority to approve State plant (such as requiring a minimum number of hours in various employment and training activities) the Secretary may withhold the Federal share of administrative expenses by considering noncompliance as issuance to ineligible households for purposes of error rate liability.

Of those subject to work registration and who have participated in the Food Stamp Program for 30 days, the State may exempt categories of household members if it decides that application of such work requirements is not cost effective, or is impracticable because of limited work opportunities, remote location from employment opportunities or unavailability of dependent care. However, such additional exemptions may not diminish the State's requirement to meet the performance standards outlined above—that is, that 25 percent of all work registrants must be in the program by September 30, 1987, etc.

The purpose of this program is to help certain food stamp participants move into regular employment by providing training and experience and improving the employability of the participants. It also allows States to coordinate employment and training activities under both the Food Stamp Program and the AFDC Program. A State will have have considerable latitude in designing its program. The Committee believes that flexibility is important if the program is to succeed. The ultimate success of the employment and training program depends on its ability to encourage recipients to seek and maintain paid private or public employment. In assigning recipients to employment and training activities, the State should give high priority to this objective by accommodating, to the extent practicable, the work schedules of participants who have part-time employment.

The Committee is aware that many States have found that persons not required to participate in employment and training programs often volunteer for these programs. It is to these person's advantage to participate in programs in which training and employment opportunities are available so that full-time jobs can be obtained and opportunities expanded. The bill permits States to allow additional participation in the employment and training program. In addition, those participants required to participate in the employment and training who have fulfilled their current program requirements may also volunteer for additional employment and training opportunities.

The Committee also made several changes in the pool of work registrants subject to the employment and training program. The Committee bill extends the work registration and new employment and training program to 16- and 17-year-old heads of households unless they are full-time students. This change establishes consistency with the AFDC program, and recognizes that such young heads of households who are not in school or working could especially benefit from such activities as work experience assignments and job search training. Further, food stamp State agencies would be given the same option that AFDC State agencies have to extend work requirements to caretakers of children between 3 and 6 years old when adequate child care is available. Currently caretakers of children under 6 years old are exempt from all the work requirements; also caretakers of children between 6 and 12 can refuse offered employment without penalty if adequate child care is not available for those children. Existing regulations outline conditions of inadequate child care, and would be expected to be extended to any new households covered by the Committee's provision.

The Committee also eliminates the "second parent" exemption from the food stamp workfare program. Currently, a second adult member of the household who is caring for a child (defined by regulation to be a child under age 18) is exempt from workfare requirements, although no exempt from work registration, when the first parent is already included in work registration or employed full time. The provision would establish consistency between the workfare and work registration provisions by requiring that all adult household members be subject to both work registration and, where applicable, workfare.

The bill also requires the Secretary of Agriculture to report to the Congress on the effectiveness of the new employment and training program by January 1, 1989.

Aliens—(Sec. 1417)

The Committee adopted a provision introduced by Chairman Helms which would require that all of the income and assets of an ineligible alien count in determining a household's eligibility and benefits, not such income less a pro rata share and assets as under current law.

Illegal or temporarily resident aliens are not permitted to participate in the food stamp program. Congress adopted legislation in 1980 to require that the income and resources of ineligible aliens who live with eligible food stamp recipients should be counted in determining the eligibility and benefit levels for the remainder of the household.

However, the provision, as adopted, stated that all but a pro rata share of the alien's income should be counted. A proration of the alien's income may understate the true income picture of the household's circumstances, particularly when, as is frequently the case, the alien is the primary wage earner. Additionally, because there is no way to ensure that food stamp benefits received by the household are not used by the ineligible alien, all of the income of ineligible aliens residing with the household should be counted.

Regulations require the counting of all of the income and assets of ineligible residents of a household in the case of individuals made ineligible by fraudulent participation. During their period of ineligibility, all of their income and assets are now included in the eligibility and benefit determinations for the remainder of the household who remain in the food stamp program. The Committee's change with respect to aliens is consistent with this policy.

Sales tax—(Sec. 1418)

Most States do not have sales taxes which apply to food purchases made in retail food stores. Several States have such sales taxes but exempt food stamp purchase from such taxes. However, currently about 17 States have State or local (or both) sales taxes on food purchases which include sales taxes on food stamp purchases.

The Congressional Budget Office and the Administration estimate that approximately $107-$140 million of food stamp benefits will be diverted from actual food purchases to pay for sales taxes imposed on food stamp purchases in certain States during fiscal year 1986.

The Committee adopted a provision which effectively prohibits this practice by specifying that food stamp transactions in retail food stores are a nontaxable event. The Committee bill will thus provide significant increased food assistance—by increasing the purchasing power of existing levels of food stamp benefits—without cost to Federal taxpayers.

The following table outlines the sales tax policies in the States and the District of Columbia effective earlier this year:

State or local sales taxes on food

Alabama	4 percent tax on all food items—optional 1 percent or more local tax discretion of the county.
Alaska	No tax on food, but there is a local option.
Arizona	No tax on food, but there is a local option.
Arkansas	4 percent tax on all food items.
California	No tax on food, but 6 percent on soda, 6½ percent in certain transit districts.
Colorado	No State tax on supermarket foods—3½ percent added in some cities and counties.
Connecticut	No tax on food except 7½ percent on candy, soft drinks and meals served in retaurants or takeouts.
District of Columbia	No tax on food items purchases for home consumption. Items considered for immediate consumption, a half-pint container of milk, candy bars, and cans or bottles of soda smaller than a six-pack, are subject to an 8 percent sales tax. (No sales tax is charged on a quart container of milk, or a liter container of soda or fruit drink as these are considered to be for home consumption.)
Delaware	No tax on food.
Florida	No tax on food items except 5 percent on prepared foods, soda, candy, and novelty ice cream.
Georgia	3 percent on all food items—local option 1 percent and 1 percent add-on in some counties.
Hawaii	4 percent tax on all food items.
Idaho	4 percent tax on all food items.
Illinois	No tax on food stamp purchases.
Indiana	No tax on food except 5 percent on candy, gum, soda, confections, cocktail mixes, ice and take out foods.
Iowa	No State tax on supermarket foods—No tax in cities and counties.
Kansas	3 percent State tax on supermarket foods—.05 to 1 percent added in some cities and counties.
Kentucky	No tax on staple food, but 5 percent on candy, gum and soda.
Louisiana	No State tax on food—variable city taxes (as well variable parish taxes).
Maine	No tax on food, except 5 percent on meals and beverages served in restaurants or takeouts.
Maryland	No tax on food except 5 percent on soda and confectionary and candy items.
Massachusetts	No tax on food, except 5 percent on meals and beverages served in restaurants or takeouts.
Michigan	No tax on food, except 4 percent on seeds, plants, ice, cocktail mixes, and distilled and mineral water.
Minnesota	Not tax on food except 5 percent on gum and distilled water, bags of popcorn, and sandwiches.
Mississippi	6 percent on all food items.
Missouri	4.225 percent State tax on supermarket foods—2½ percent added in some cities and counties.

State or local sales taxes on food—Continued

Montana	No State tax on supermarket foods—No tax in cities and counties.
Nebraska	No State tax on supermarket foods—No tax in cities and counties.
Nevada	No tax on food.
New Hampshire	No tax on food, except 7 percent meals charge on restaurants or takeout meals.
New Jersey	No tax on food except 5 percent on confectionary items such as candy, toppings, chocolate-covered peanuts and soda.
New Mexico	4 percent tax on all food items, some additional city taxes.
New York	No tax on food except 5¼ to 8⅛ percent on candy, fruit drinks, distilled water. chewing gum, soda and prepared sandwiches. This varies by county and city.
North Carolina [1]	4 percent tax on all food items—additional .05 to 1 percent local option in some counties.
North Dakota [2]	No State tax on supermarket foods—no tax in cities and counties.
Ohio	No tax on food except 5 percent on seeds, gum, soda, distilled water and some additional local taxes such as additional .05 percent in Franklin and Hamilton counties. In Cuyahoga County the added tax imposition is 1½ percent.
Oklahoma	3.25 percent tax on all foods items.
Oregon	No tax on food.
Pennsylvania	No tax on food except 6 percent on soda, fruit drinks and candy.
Rhode Island	No tax on food except 6 percent on candy, confections, soft drinks, fruit or artifical drinks, glazed dried fruits, restaurants or takeout meals.
South Carolina	5 percent tax on all food items.
South Dakota	5 percent State tax on supermarket foods—15 added in some cities and counties.
Tennessee	5.5 percent on all food items—1½ percent local option in some counties (tax exempt on seeds which produces food for home use).
Texas	No tax on food except 4.125 percent on prepared foods, plus a local option.
Utah	4½ percent State tax on supermarkets foods—1¼ percent added in some cities and counties.
Vermont	No tax on food except 3 percent on yeast, food coloring, soda extract, and ice. Also, 6 percent on restaurant or takeout meals.
Virgin Islands	No tax on food.
Virginia	4 percent on all food items.
Washington	No tax on food except 5½ percent on soda, seeds and plants, ice, bottled water, dietary supplements, and fast foods, plus a local option.
West Virginia	No tax on food except 5 percent tax on takeout food.
Wisconsin	No tax on food stamp purchases.
Wyoming	3 percent State tax on supermarket foods—1 percent added in some cities and counties.

[1] North Carolina's sales tax on food stamp purchases has been repealed.

[2] North Dakota has since implemented a sales tax on certain food products.

Source: U.S., Department of Agriculture.

The practice of permitting food stamp coupons to be used to pay for any sales taxes on food imposed by State or local governments is a longstanding one, but one which has never been sanctioned in the statute. Section 3(g) of the Food Stamp Act of 1977 explicitly outlines eligible items which may be purchased with food stamp coupons. In general, most eligible food items are food or food products for home consumption except alcoholic beverages, tobacco, and hot foods or hot food products ready for immediate consumption.

The effect of such sales taxes is twofold. First, the purchasing power of the food stamp allotment is reduced for recipients in States where these taxes are imposed on food stamp purchases. Food stamp allotments are based on the thrifty food plan. The thrifty food plan is a research-based set of economical and nutritious diets that, insofar as possible, reflect food choices of households with limited food budgets. It is composed of an assortment of foods that represents as little change from average food consumption of person in U.S. households with relatively low costs as was required to provide a nurtritious diet while controlling costs. Applicable sales taxes on food purchases are not included in formulating the cost of the plan.

For example, in States imposing a 4 percent sales tax on all food purchases, the real buying power for recipients in the grocery store is the equivalent of 96 percent of the thrifty food plan. Thus, the purchasing power of the food stamp allotment is reduced for recipients in States where sales taxes are imposed on food stamp purchases relative to the recipients in States with no such sales taxes and relative to the basis for the benefits, the thrifty food plan.

Secondly, from a Federal perspective, the existing policy serves as an indirect Federal subsidy—through the Federal Food Stamp Program—to those State and local governments imposing a sales tax on food stamp purchases.

The effect of the Committee's provision is twofold. First, food stamp coupons may no longer be used to pay for State or local sales taxes on food, and, second, no sales tax (to be paid in cash by the recipient) may be levied on food stamp purchases.

The national interest in protecting the buying power of food stamp recipients is considered paramount to the Committee in deciding to turn aside some expressed concerns that the limitation interferes with State taxing powers. However, as outlined above, the basis of food stamp benefits does not contemplate the imposition of sales taxes on food stamp purchases. Additionally, the States' authority to tax such benefits has never been legislatively sanctioned, and States remain free to reject this condition to participation in the Food Stamp Program and forego the benefits of the program to its citizens.

In recognizing that some States with such tax policies may desire some time to adjust their policies in order to continue participation in the Food Stamp Program, the Committee has adopted an implementation schedule that will phase in the prohibition.

The prohibition is to take effect for the fiscal year beginning October 1 of the calendar year in which the State legislature next meets following adoption of the bill. Most State legislatures will meet in 1986, meaning that the provision will trigger into effect on October 1, 1986. However, legislatures in several States are not scheduled to meet until 1987. According to available information, only two of these—Arkansas and North Dakota—presently have applicable sales taxes on food stamp purchases. Thus, these two States would have until October 1, 1987 to make any changes. Of course, if, for any reason, the legislature meets during 1986, the prohibition would be triggered on October 1, 1986.

Alternative means of coupon issuance—(Sec. 1419)

The Committee adopted a provisions to strengthen the Secretary's authority to require the use of alternative methods of coupon issuance in order to improve program integrity in the food stamp program.

The Food Stamp Act would be amended to require the Secretary to require the use of alternative methods of issuance, including electronic benefit transfer, when the Secretary, in consultation with the Inspector General, determines that program integrity would be improved by instituting a different method of issuance in an area. Currently, the Secretary may require alternative issuance methods under the same conditions.

Under the provision, the Secretary could require State agencies to change their issuance systems in area with significant issuance problems, such as mail losses, thefts, and duplicate issuances. For example, demonstration projects have shown that fraudulent duplicate issuances to recipients can be virtually eliminated by issuance systems utilizing direct delivery of households' authorization-to-participate (ATP) cards to issuers, using ATPs with short life-spans, or implementing computerized monitoring of issuance. Using the authority in this section, the Secretary would be required to require States, or parts thereof, to use such systems.

The Committee notes that the Secretary has not yet used the discretionary authority granted to him in 1982.

Simplified applications and standardized benefits—(Sec. 1420)

The Committee bill permits all States to have the option to participate in simplified application and standardized benefit procedures which have been tested for the past 2 years as pilot projects in several States.

The Food Stamp and Commodity Distribution Amendments of 1981 (P.L. 97-98) authorized the Secretary to conduct several pilot projects to test certain simplifications in program application procedures and the determination of benefits.

Under the demonstration projects, the Secretary determined to test how different levels of standardization and simplification affect benefits, administrative costs, and error rates in the Food Stamp Program. As provided in the statute, the pilot projects focused on food stamp recipients who also participate in one or more of the following programs: AFDC, SSI, or Medicaid.

Under the demonstration, food stamp eligibility determinations and benefit allotments for participants in these other programs were based on the household resources (that is, assets) and income concepts used in these programs, which made it unnecessary to undertake separate computations of assets and income measures based on Food Stamp Program criteria. In addition, sites had the option of using standard benefit procedures under which all households within certain groups would receive the same food stamps allotments. The States of Oklahoma and Illinois and Fresno and San Diego Counties in California participated in the simplified application portion of the pilot project, while Illinois also implemented the standardized benefit portion.

The Department presented early results from the pilot projects to Congress in an interim report in July 1985: "Simplified Application Demonstration Evaluation for the Food Stamp Program". The interim report focused on preliminary findings, particularly from Illinois, the first of the sites to complete operations.

Among the key preliminary results were substantial administrative savings and significant reductions in overissuances.

Several sites noted administrative saving in the course of the actual application process and the determination of benefits.

The success of the simplified application portion of the pilot projects was outlined in Committee testimony by Mr. Robert Fulton, Director of the Oklohoma Department on Human Services, on June 14:

> This demonstration project if proving that the Federal Government and the States can save a significant amount of administrative costs through categorical eligibility, common definitions and reconciliation of other program rules . . . workers have told us that (the pilot project) is much easier to administer and saves lots of time. This is substantiated by random . . . sampling which indicates almost 75 percent less staff time is required to process food stamps for AFDC recipients under (the pilot project).

Mr. Fulton also testified that the error rate for pilot project participants had declined.

One of the important elements to overall success of the standardized benefit portion of the pilot projects, and a critical factor in the Secretary approving additional States in the future, is the overall control on food stamp spending. Under the pilot projects, any State wishing to include the standardized benefit or simplified application portion of the demonstration was required to demonstrate that the establishment of such standardized benefits was in a manner that was not less than, in the aggregate, to the benefits which would have been issued had regular food stamp procedures been followed. Department officials confirmed that a substantiation by the State of budget neutrality with regard to total benefits would be the criterion governing the Secretary's approval under the State option being established.

Illinois demonstrated both substantial administrative savings and error rate reductions. Preliminary results from the Department's interim report indicate that participation was not affected materially by the change to standardized benefits.

The Committee believes that, based on the early reports from the pilot projects, the potential for improvements in the program would be enhanced by the expansion of the pilot projects into a State option, subject to approval by the Secretary.

Many States may be able to gain part of the advantages of the simplified application aspect of the provision by the use of the categorical eligibility established in the bill.

Redemption of coupons/bank fees—(Sec. 1421)

Concerns have been expressed over what has apparently become a growing practice by certain financial institution of charging food retailers a fee for the processing of food stamp coupon deposits.

The Committee is concerned about the long-term impact this practice could have on the food stamp program. Both retail food organizations and financial institutions play a part in the food stamp program, and are needed for its effective operation. The Committee wishes to foreclose the possibility that the practice of banks charging fees for certain deposits of food stamp coupons would ever result in retail food stores dropping out of the food stamp program, or in other adverse consequences on program recipients. In particular, the Committee is concerned about bank fees imposed on stores when the coupons are presented to the bank by stores in a manner consistent with all requirements of the Federal Reserve—which include certain guidelines on bundling by denomination—except cancellation.

For this reason, the bill prohibits financial institutions from charging retail food stores for the deposit of food stamp coupons that are submitted in a manner consistent with the requirements placed on these institutions when they present coupons to the Federal Reserve Banks. Charges would continue to be permitted in cases where retail food stores fail to follow these requirements.

Indeed, the Committee bill recognizes the previous and continuing right of financial institutions to assess fees for the processing of food stamp coupons which are redeemed or deposited by the institutions' retail food store customers. The only limitation imposed by the amendment is in the case where coupons are presented to the financial institution in a condition consistent with the requirements (except for cancellation) for subsequent presentation to the Federal Reserve Bank. These requirements are as prescribed by rules, regulations, and operating circulars of the Federal Reserve. Cancellation requirements are exempt (as is made clear in the bill), since that is a process which is a responsibility of the financial institution and can be performed only after receipt of coupons from the retail food store.

Thus, the very narrow limitation imposed by the amendment is meant to cover only the situation where the coupons are presented to the financial institution in a condition where essentially no further processing is necessary, except for cancellation.

This will minimize the type of handling that the financial institution will have to perform upon receiving coupons and obviate the rationale for the fees that some financial institutions are currently charging on these transactions.

The bill does not spell out in detail the requirements currently imposed on financial institutions in presenting coupons to the Federal Reserve Bank—the requirements which constitute the basic processes that retailers must follow to avoid redemption charges. These requirements are subject to change, and the requirements of the various Reserve Banks are not necessarily the same. The Secretary is, therefore, given sufficient flexibility to fashion regulations consistent with the provision.

Eligibility of the homeless—(Sec. 1422)

The Food Stamp Act of 1977, as amended, sets forth, among other provisions, the eligibility criteria for persons applying for food stamp benefits. The Committee adopted a provision to clarify the eligibility of those not residing in permanent homes by explicitly specifying that State agencies provide a means of certifying and issuing food stamps to eligible households that do not reside in permanent dwellings or do not have fixed mailing addresses, if they meet other eligibility standards. The President's Task Force on Food Assistance recommended that action be taken to ensure the eligibility of the homeless for food stamps. The Task Force found that homelessness is a symptom of complex problems and "* * * Until we possess the means to deal with them as a whole, food assistance will remain a most necessary important source of help for these unfortunate people."

The Committee notes that any action to deny food stamp eligibility to any person simply because he or she has no fixed address is not provided for in the Act. However, the Committee believes it is important to clarify this eligibility, especially since the Task Force found that nineteen States require a fixed household address in order for an applicant household to be eligible for food stamps. This provision, therefore, emphasizes that homeless individuals are indeed eligible for the Food Stamp Program, if they meet program eligibility requirements, and that State agencies must establish methods for adequately serving them. This provision is thus a clarification and reinforcement of current law.

While the Committee recognizes the need to ensure the homeless are not denied benefits solely due to a lack of a fixed address, it emphasizes the need for States to take care that all food stamp eligibility factors are met before benefits are made available to such applicants. States may have used the fixed address as a means to protect against multiple participation of households in the food stamp program. While the absense of a fixed address does not preclude food stamp eligibility, neither does it relieve the State of its responsibility to protect against abuse of the food stamp program including the use of the system to prevent duplicate participation required by section 11(e)(21) of the Food Stamp Act.

Certification of information and liability for overissuance of coupons—(Secs. 1423 and 1431)

The Committee adopted a modified version of a provision in Chairman Helm's bill, S. 616, to require all adult members of a household—or one adult member of a household being certified under expedited service procedures—to certify under penalty of perjury, the truth of all information on the household's application form and all other reports which the household is required to file.

The provision responds to requests from law enforcement officials and prosecutors that such a provision would tighten the administration of the program and aid in prosecution of fraudulent participation.

Those cases necessitating the change occur under the following scenario: One adult member makes application for food stamp benefits. The income of the other spouse, however, is not reported. When ultimately confronted with this fraudulent activity by program officials, the adult who made application claims not to have known about the job and corollary income from that spouse. In these cases, when the spouse successfully claims she (or he) did not know about the income of the other adult, the case is dismissed.

Similarly, the employed spouse typically claims not to have known that the other spouse had applied for food stamp benefits.

The provision that all adult household members sign the application form and attest to its accuracy under penalty of perjury will ensure that, as such cases arise in the future, the signature of the other spouse, and all other adult household members, will be sufficient evidence of any of the adults knowingly providing incorrect information thereby improving the State's case against the household.

Ellen J. Chestnutt, Chief Deputy District Attorney in Colorado Springs, Colorado, is President of the Colorado Welfare Fraud Council and the National Welfare Fraud Association. She testified before the Committee on March 21, 1984:

> It is an excellent requirement to have all adults sign the necessary forms. It just means another loophole closed. One pattern of cheating is for one spouse to apply and sign the forms, while the other spouse is one who is working. The non-working spouse states, "I didn't know my spouse was going to work," and the working spouse says, "I didn't know I was supposed to report."

Karen A. Ludwick of Grand Rapids, Michigan, President of the United Council on Welfare Fraud, Inc., submitted testimony at the same hearing as follows:

> Requiring that all adult food stamp applicants and all adult recipients who are required to file certain reports certify in writing, under penalty of perjury, the truth of the information contained in food stamp applications, monthly income reports, and other documents would maintain further consistency with the AFDC program.

She also noted:

> We have been extremely active in prosecutions of AFDC cases under our perjury statute in Kent County, Michigan. I will be extremely pleased to see this statement added to the food stamp applications.

The provision does not require that all adult household members come into the food stamp office.

In order not to delay certification procedures for expedited service recipients, the provision exempts all but one adult household member for the initial certification. Regardless of the initial method of certification, however, such households would not be exempt from the requirement for recertification, monthly reports, or other subsequent forms affecting food stamp benefits.

The Committee wishes to emphasize that this provision is not intended to alter the penalties prescribed by section 15 of the Food Stamp Act (7 U.S.C. 2024) for unlawful acquisition and use of coupons. While the meaning of the term "perjury" as used in this provision is intended to be that set forth in 18 U.S.C. 1621, the penalties expressly provided in the Food Stamp Act would, by the terms in section 1621, remained in effect.

The Committee also included a provision to make all adult household members jointly and severally liable for the value of any overissuance of benefits to the household. This provision would permit States to simultaneously pursue claims against several different households which contain adult members of a household which obtained an overpayment of benefits, to the extent permitted by the Act. It also clarifies that any adult member of a household is liable for the overissuance to the entire household. Thus, the government (Federal, State, or local) could pursue collection from the income or resources of any household member.

Fraud detection units and other anti-fraud measures—(Secs. 1424, 1425, 1427, 1438)

The General Accounting Office, the Office of Inspector General, and representatives from various law enforcement and fraud investigative groups have consistently testified to the need for more aggressive and effective Federal and State efforts to prevent fraud and abuse and to detect and prosecute that which has already occurred.

The Committee adopted a provision (section 1427) requiring fraud detection units to be established and operated in project areas with 5,000 or more households participating in the Food Stamp Program. These units would be involved in detecting, investigating, and assisting in the prosecution of program fraud.

The Department indicates that approximately 250 project areas have 5,000 or more households. While many of these project areas have existing personnel specifically assigned to fraud detection, investigation, and prosecution, many do not.

It is the purpose of the Committee's provision that all of these larger project areas (serving more than 5,000 households) be required to have fraud detection units. It is not a requirement of the provision that a special or separate office be established for this purpose, but rather that some personnel in all project areas be targetted on fraud detection, investigation, and assistance in prosecution. In some cases, existing efforts will meet the criteria of the provision; however, in other cases, project areas will be required to initiate, or establish broader, efforts to comply with the intent of the provisions. Those activities that are investigatory and prosecutorial would be eligible for enhanced funding at 75 percent. Verification activities are a basic certification function and would be funded at the normal rate (generally 50 percent).

The Committee bill also provides (in section 1424) additional authority for the Secretary and State agencies to require greater verification by eliminating some of the restrictions that presently apply. The new provision would require State agencies to verify household size in any case in which household size is questionable. Currently, the Act requires verification only of nonexcluded income and other eligibility factors determined by the Secretary to be necessary. The provision would permit State agencies, as well as the Secretary, to establish other factors that must be verified.

The Committee bill (section 1425) changes the criteria for requiring the use of photographic identification cards by households in certain project areas. Under current law, the Secretary, after consulting with the Inspector General may require State agencies to require most households to present photographic identification cards to receive coupons in project areas where the Secretary determines that this practice would be useful to protect program integrity. The amendment would base the Secretary's determination on a finding that the practice would be cost effective as well as useful to protect program integrity.

The provision also allows a State agency to permit households to comply with a requirement for a food stamp photographic identification card by presenting a photographic identification card used to receive assistance under a welfare or public assistance program.

The Committee expects that in applying the use of photographic identification cards, the Secretary will exempt areas using mail issuance.

The Committee bill (section 1438) provides authority for the Secretary to require special certification procedures in project areas with high payment error rates. The Department's Inspector General would be authorized to use quality control (error rate) data to identify project areas with payment error rates that impair the integrity of the Food Stamp Program. The Secretary would be authorized to mandate States to employ new or modified certification procedures in such project areas if such procedures would improve program integrity in a cost-effective manner. The Secretary would be required to report 1 year after the date of enactment, and annually thereafter, to the Congress on project areas identified by the Inspector General that have high error rates and on what special certification activities the Secretary has required in those areas.

Reports indicate that a frequent location for high error rates are cities located near the border of two or more States. In such cases, recipients sometimes work in one State (drawing income) while drawing food stamp benefits in an adjacent State. Various existing matching techniques are generally effective only in detecting unreported income from sources within the same State as the one where the recipient is drawing benefits. Occasional cooperative efforts between States have identified fraudulent participation by matching income information from State against the food stamp participation in the adjacent State.

This is one of the types of improved techniques that the Secretary may require, if he judges it to be cost effective, in the event the Inspector General identifies such areas as having error rates that impair the program's integrity.

Staggering of coupon issuance—(Sec. 1426)

The methods of distributing food stamp benefits are determined by the States. Various methods are used within the States as well as by each of the States including the following—

Authorization to Participate (ATP).—An authorization to participate (ATP) card is mailed each month to food stamp participants. The ID card and the ATP card are presented at an issuance office (e.g. a bank). The ATP card is surrendered and the food stamps are issued. The ATP card is a negotiable document and must be sequentially numbered within each jurisdiction. ATP cards must be reconciled each month against the value of the stamps issued.

Mail Issuance.—A master list of eligible participants is prepared each month and food stamps are mailed directly to those on the list.

Household Issuance Record (HIR).—Food stamp participants come into the welfare office each month, present their ID cards and food stamps are issued. The master file is kept on Household Issuance Record (HIR) cards and when stamps are issued the HIR card is manually updated to reflect participation.

Online.—This is a computerized system in which the participant presents a specially encoded ID card which is inserted into a terminal (e.g. by a bank employee). The computer file is checked and stamps then issued in the amount indicated by the computer. The food stamp file is updated immediately to prevent duplicate issuances.

Direct Delivery.—Food stamp participants are notified where to go to obtain their food stamp benefits each month. In many instances it is a bank. They present their ID cards and the stamps are then issued.

The most commonly used method is the mailing of an authorization to participate (ATP) card. States are permitted to mail ATP cards within the first two weeks of a month. Participants then exchange ATP cards for food stamps at designated places. The President's Task Force on Food Assistance found that this could lead to two problems: first, allowing merchants to assign higher prices to perishable goods at the beginning of the month and second, greater demands on private food assistance programs at the end of the month when budgets and the supplementary food stamp benefits tend to run out. The Task Force therefore recommended that the delivery of food stamp benefits be staggered over the entire month.

The Committee agrees with the Task Force recommendation, and the bill allows States the option of issuing staggered benefits—the method still to be chosen by the States—over the entire month. The Committee is concerned about the impact on recipients during any transition or phasein of the provision over a period of several months.

In order to ensure that the gap in benefit coverage is not too great, the Committee specified that in making a transition to staggered issuance, there may not be an interval of greater than 40 days for individual households receiving food stamp benefits.

Food stamp information and applications at Social Security Administration offices—(Sec. 1428)

The Committee adopted a provision to reinforce existing Social Security Administration (SSA) responsibilities with regard to the food stamp program by providing improved accessibility to food stamp application procedures for certain elderly and disabled recipients of assistance under the Social Security Act.

Present law requires that the SSA inform Supplemental Security Income (SSI) recipients who live alone or only with other SSI recipients of the availability of food stamps; if the SSI recipient so desires, the recipient is to be permitted to apply for food stamp participation by executing a simple application at the social security office. The Committee's provision would expand the statutory requirement, a requirement that these procedures also apply to SSI applicants as well as recipients; under present SSA policy this service is already provided to SSI applicants. Food Stamp applications received from SSI applicants and recipients at SSA offices must be forwarded promptly to the appropriate State food stamp agency. SSA also makes available any information that it collects for SSI program purposes which may be useful to the State agency in determining food stamp eligibility. The State agency remains responsible for all subsequent verification, applicant contact, and food stamp eligibility certification.

The Committee's provision also would require that applicants for, and recipients of, their Social Security benefits—that is, retirement and disability benefits under title II—be informed of the availability of food stamps and be provided with a simple food stamp application, if appropriate, when in SSA offices. Under existing law, this is an option for the Social Security Administration. The Committee does not intend that SSA require Social Security beneficiaries to come into SSA offices for the purpose of receiving this information, nor would SSA be obligated to inform beneficiaries by mail. The Social Security Administration's responsibilities are not as broad as with respect to SSI participants. For example, there is no requirement that SSA should assist Social Security applicants and recipients in completing the food stamp application, nor, unlike with SSI recipients, in forwarding the application to the State agency.

The provision does not require that completed applications must be reviewed or any determination as to eligibility be made in Social Security offices. Rather, as with all food stamp applications, the State food stamp agency is responsible for verifying the information on the application, contacting the applicant if necessary, and determining food stamp eligibility.

The Committee recognizes that significant dissimilarities between the food stamp and Social Security programs make it inefficient and undesirable to mandate that SSA take food stamp applications from Social Security applicants and recipients, as it does from certain SSI applications and recipients. Nonetheless, the Committee also recognizes that, especially with the health and mobility limitations of many Social Security applicants and recipients, the opportunity for them to obtain food stamp applications at SSA offices will provide a considerable convenience.

The Committee's provision would require that the Secretary of Agriculture and the Secretary of Health and Human Services revise the memorandum of understanding currently in effect concerning food stamp services in SSA offices to reflect the changes manadated by this provision. The provision makes clear that all costs incurred by SSA relating to administration of the food stamp program will be reimbursed by the Secretary of Agriculture.

The provision also requires the Secretary of Health and Human Services to report to the Congress within 6 months after enactment on the nature and extent of costs incurred in SSA's fulfillment of its food stamp responsibilities.

Special Supplemental Food Program for women, infants, and children (WIC)—(Sec. 1429)

The Committee adopted two provisions to permit greater disclosure of information and coordination between the food stamp and WIC programs.

The Committee adopted a provision included in the Administration's bill, S. 969, to permit the disclosure of the information retail stores are required to submit under section 9(c) of the Food Stamp Act to State agencies that administer the special supplemental food program for women, infants, and children (WIC) in monitoring retail store compliance in their program. Currently, section 9(c) limits "use or disclosure" of information submitted by retail food stores to purposes directly connected to administration or enforcement of the Food Stamp Program.

The current limitation has prevented the sharing of food stamp retail monitoring information with WIC authorities, even though most of the approximately 50,000 retail stores authorized to participate in the WIC program also participate in the Food Stamp Program. (WIC legislation and regulations lack such constraints on information sharing with the Food Stamp Program.) For example, WIC State agencies cannot be informed of sales or redemption information on potentially high-risk vendors as indicated by a high ratio of food stamp redemptions to total food sales. Such information would be used in conjunction with other information available to WIC agencies to improve oversight of retail stores. The amendment is expected to increase the efficiency and effectiveness of retail oversight efforts and contribute to the prevention and detection of fraud, waste, and abuse in the WIC program.

Additionally, the Committee adopted a provision proposed by Chairman Helms in S. 616 to make retail food stores or wholesale food concerns which have been disqualified under the Food Stamp Program automatically ineligible to participate in the WIC program during the disqualification period. These periods may range from 6 months to permanent disqualification, depending on the severity and frequency of violations.

The provision will thus ensure cross-compliance between the two major Federal food assistance programs which operate through retail stores.

Disqualification of retail food stores and civil money penalties—(Sec. 1430)

The Committee adopted a provision, modeled on a proposal made by the Administration, to impose a civil money penalty when a disqualified store is sold or transferred before the disqualification period is completed.

Currently, some retail store violators avoid the imposition of food stamp disqualification penalties because the violator can sell, or transfer, the store to another person; the disqualification period now ends at the point of sale or transfer. Sometimes, according to the Administration, these transfers are fictitious (or "paper") sales to relatives or friends, designed primarily to terminate the food stamp disqualification period.

The Committee's provision is intended to act as a deterrent to retail store abuses since it would curtail the avoidance of penalties currently available through the sale or transfer of disqualified stores.

The amount of the civil money penalty would be established by the Secretary and would reflect that portion of the disqualification period that has not expired. The Committee notes that the Secretary has announced his intention that in implementing the provision, the amount of the penalty would be calculated in a manner similar to that used for existing civil money penalties (levied in lieu of disqualifications). The current method consists of multiplying 10 percent of average monthly redemptions over the 12-month period prior to the finding of violations times the number of months for which the retailer or wholesaler would otherwise be disqualified. Under this method, the penalty would be based on multiplying this portion of redemptions by the number of months remaining in the disqualification period. For the purpose of this provision, the amount of the penalty of a permanent disqualification would be equal to the penalty for a 20 year disqualification, double the maximum disqualification period of 10 years.

Under the Committee bill, the new owner of a disqualified store could not be authorized to accept food stamps until the previous owner paid the cash penalty. The Secretary could ask the Attorney General to institute a civil action in a United States District Court to collect the penalty. The Court would be prohibited from reviewing the validity and amount of the penalty. The previous owner (the original violator) would remain ineligible to redeem food stamp coupons for the duration of the original disqualification period if he established or bought another retail food store.

However, the Committee did modify the Administration's provision to ensure that sufficient notice of the disqualification is given to the new buyer in order to protect innocent buyers.

In most areas of high food stamp usage, the inability to have a store authorized to accept food stamps would create a serious barrier to the sale of that store. If a buyer were unaware of the outstanding penalty and bought such a store in an area of high food stamp participation, the buyer could lose a substantial part of his investment when the store could not be authorized to redeem food stamps because the previous owner had not paid the civil money penalty due upon the sale of the store. Thus, adequate notice to the buyer is necessary, and the Committee has added to the provision a stipulation that the buyer must be afforded actual or constructive notice of the outstanding penalty before the prohibition on the new store being authorized to accept food stamps is effective, although, the Committee does not intend to require the establishment of an elaborate system. Notice might be achieved, for example, by requiring a notice to be posted in all disqualified stores informing potential buyers that, while the store is disqualified, they should contact the local field office of the Food and Nutrition Service to inquire about possible outstanding penalties.

The bill also requires the Secretary to ensure, to the extent permitted under law, that the encumbrance created by the civil money penalty is recorded in an appropriate State or local public office. This would serve, much like a lien, to notify a potential buyer about the outstanding penalty.

The cumulative impact of the proposal would eliminate situations where a violating retailer reaps illegal profits until caught and disqualified and then completely evades all penalties through sale of the store. Also, the proposal would make it less attractive to disqualified store owners to engage in fictitious sales to relatives or friends as a means of avoiding disqualifications. Thus, by closing avenues for escaping punishment, the provisions would be a strong deterrent against retailer abuse.

Interest on claims against State agencies—(Sec. 1432)

The Committee adopted a slightly modified version of the Administration's recommendation to specify in the statute that the Department's past-due claims against State agencies draw interest. The interest would be computed at rates prescribed by the U.S. Department of the Treasury under the Federal Claims Collection Act.

The proposed clarification is needed due to a recent adverse ruling in *Perales* v. *Block* 751 F. 2nd ((2nd Dir. 1984). This decision found invalid the current policy of charging interest on State agency debts under the food stamp program due to lack of specific authority in the Food Stamp Act.

Charging interest is a valid means to encourage prompt payment of debts. Debts owed by State agencies for losses incurred in operating the Food Stamp Program can be substantial. Typically, these debts would be for claims established by the Secretary for excessive payment error rates, issuance losses, and gross negligence or fraud in household certification. Charging interest on these debts is a means to discourage dilatory judicial appeals (since interest accrues during the appeal process) and a way to hasten collection of the sometimes large amounts owed to the Federal Government by State agencies. Interest is charged on certain State agency debts under the Social Security Act. Thus, the Administration has argued, there is a precedent for including the specific authority to levy interest charges against State agencies in the Food Stamp Act.

The Committee modified the Administration's proposal to specify that the interest charged on the claims may begin from the date of the final administrative determination made under section 14(a). However, beginning immediately at that point and during the course of any subsequent judicial appeal, interest would be owed.

The Committee does not intend that this provision set a precedent for not allowing interest on claims under other Acts which have not specific authority for interest. The Committee has taken this step only as a narrow response to a particular problem in the food stamp program caused by the court challenge to the existing policy, which the Committee, by this provision, endorses.

Collection of claims—(Sec. 1433)

The Committee made several changes with regard to the collection of claims in order to increase the collection of such claims.

Historically, States have not recovered a very significant portion of overissuances from current or former food stamp recipients. In 1977, the General Acounting Office reported that States recovered only about 1 percent of overissued benefits and that much more could be done to identify and recover the value of overissuances. (See "The Food Stamp Program—Overissued Benefits Not Recovered and Fraud Not Punished", CED-77-112, July 18, 1977.) The GAO concluded that a lack of financial incentives was a basic underlying cause of the States' poor performance in identifying overissuances. At that time, even if the States identified overissuances and collected them, all such collections were paid to the Federal Government.

Congress responded to the need to increase overissuance recoveries and enacted legislation to strengthen collection procedures. The

Omnibus Budget Reconciliation Act of 1981 required States to use recoupment, a procedure to recover overissuances from current food stamp participants by reducing their monthly benefits. To give greater incentive to collect more overissued benefits, the Act also allowed States to keep 50 percent of their collections on claims caused by fraud and 25 percent of their collections on claims caused by nonfraud participant errors.

In February 1983, the General Accounting Office again reported on State collection efforts. The GAO found that States collected only about $20 million of $2 billion of overissuances for a 2-year period (fiscal year 1980 and 1981), or about 1 cent of each overissued food stamp dollar. (See "Ned for Greater Efforts to Recover Cost of Food Stamps Obtained Through Errors or Fraud", GAO/RCED-83-40, February 4, 1983.) Representatives from the GAO had previously outlined these difficulties in testimony before the Committee.

The GAO noted that the recoupment of benefits provision (also known as benefit offset) specifically excludes its use for collecting overissuances from households still receiving food stamp benefits if the overissuances were caused by State agency error. However, no such exception is made with respect to reductions in monthly benefits to recover overpayment in the AFDC program. The GAO recommended that Congress further amend the Food Stamp Act of 1977 to establish a consistent policy in which all overissuances in the food stamp program would be subject to collection through the recoupment method, regardless of the source of the error which caused the overissuance (i.e., recipient or State agency). Approximately 30 percent of the dollar value of overpayments is attributable to agency-caused error, while the remainder is recipient-caused error. Under current food stamp law, States are permitted to use recoupment to collect overissuances caused by State agency error only if the household voluntarily agrees to this method of collection.

The GAO report:

> Lack of authority to reduce current food stamp benefits to recover overissuances caused by State agency errors seriously impedes the collection of significant amounts of overissued benefits. To the extent that households that receive agency-caused overissued benefits remain in the program, the amounts owed—which could be substantial—could be subject to an expanded offset provision if the households involved were identified.

In January 1985, the Office of the Insepctor General (OIG) of the Department of Agriculture made the same recommendation—that the Administration propose a legislative change to require States to collect overissuances that result from administrative error as well as from participant error.

More recent data indicates that claim collections are increasing. In fiscal year 1984, claims collections rose to over $31 million-up from $11 million in fiscal year 1981. Nonetheless, overpayments in fiscal year 1984 totalled approximately $930 million, and the Committee believes that State agencies need additional tools for recovering overpayment errors.

The Committee's provision responds, in part, to the GAO and OIG recommendation by permitting—rather than requiring, as the GAO and OIG recommended—the use of benefit offset to recover overissuances (caused by State agency error) from current recipients. The rate of collection in such cases—as already provided in the statute for other instances of nonfraud overissuances—is limited to $10 or 10 percent of the households' monthly allotment, whichever would result is faster collection.

The GAO also noted that in the AFDC program, the State is required to take appropriate action under State law to recover overissuances from households no longer participating in the progrm, while in the food stamp program such collection activities are optional, at the discretion of the State.

The GAO also recommended that, in order to ensure more aggressive collection efforts, the Department of Agriculture should require States to take any and all appropriate action under State law to recover overissuances against the income or resources of individuals no longer receiving benefits. Current efforts consist primarily of "demand letters" seeking repayment.

The Committee's provision requires States to use other means of collection (aside from cash payment or allotment recoupment) to collect claims arising from intentional program violations, unless the State can demonstrate that such other collection methods are not cost effective.

The GAO also identified collection techniques being used in other programs that also could be used in the food stamp program to increase collections from households not already subject to the recoupment of future benefits. These techniques included State retention (or interception) of State income tax refunds, Federal interception of Federal tax refunds, use of small claims courts and collection agencies, and generally more aggressive collection procedures. An additional method of collection has been provided in the Committee's bill, and is described elsewhere, to permit States to recover overissuances from unemployment compensation benefits.

Food stamp intercept of unemployment benefits—(Sec. 1434)

As a part of expanded efforts to improve collection of food stamp overissuances, the Committee adopted a provision to permit the establishment of intercept systems to recover from unemployment compensation benefits food stamp overissuances resulting from fraud or intentional misrepresentation.

The provision parallels one adopted in the Omnibus Budget Reconciliation Act of 1981 for the aid to families with dependent children program. That program has required States to establish such a system to recover delinquent child support payments. However, the provision adopted by the Committee with respect to food stamp overissuances is optional, at the discretion of the States.

As noted consistently by officials from the General Accounting Office, the rate of recovery of overissuances due to fruad has been very low, usually less than 1 percent.

The Congress adopted several provisions in 1981 and 1982 to strengthen collections, and early indications are that these are permitting greater collection of overissuances.

Under existing law, the primary means of collecting overissuances are through cash repayment and benefit reduction. Benefit reduction is only effective, however, when the individual who defrauded the program is still a member of a household participating in the program or has returned to the program following a period of disqualification. Means of collecting overissuances from individuals who have left the food stamp programs have been severely limited.

The Committee provision is designed to permit States wishing to establish such intercept systems for food stamp overissuances to parallel those that they have established in the AFDC program. Both the Food Stamp and Social Security Acts are amended to permit such a system.

The State could recover the overissuance through entering into an agreement with an individual who has received an uncollected overissuance or by obtaining a court judgment requiring the withholding of amounts from the unemployment compensation.

The State food stamp agency would reimburse the agency administering the unemployment compensation program for the administrative costs associated with repayments under the unemployment compensation program.

Inasmuch as food stamp officials have reported that unreported receipt of unemployment compensation benefits is a common source of underreporting of income, States may find the intercept system useful in collecting overissuances. Only overissuances resulting from fraud or intentional misrepresentation may be collected under the intercept procedure. As with other collections on overissuances arising from fraud or intentional misrepresentation, the States would be permitted to retain 50 percent of all overissuances collected.

Administrative and judicial review—(Sec. 1435)

The Committee agreed to modify the criterion a retail food store, wholesale food concern, or State agency would need to meet in order to obtain a judicial stay of an administrative action of the Secretary. The modified provision would require the petitioner to show that the petitioner is likely to prevail on the merits of the case.

Under current law, a more lenient standard is used which permits such stays if the store, concern, or State agency can show that irreparable injury would result if the administrative action remained in force. Since most cases involve disqualifications (in the case of retail stores or food concerns) and fiscal penalties (for some stores and in the case of State agencies), it is relatively easy, under the present criterion, to plead that actions will result in "irreparable injury" and stays are frequently granted. The result of such stays is prolonged delays in implementing disqualifications and in collecting fiscal penalties. During these delays, retail stores and wholesale food concerns may continue to accept and redeem coupons. In such situations, the potential for continued abuse is high.

The proposed standard—likelihood of prevailing—is a usual condition which all petitioners must establish before stays are granted under most judicial systems. It has not been specially created for applicant and authorized retailers and wholesalers or State agencies; rather, the current stay criterion (irreparable harm) has been a special condition that has been inordinately favorable to such retailers, wholesalers, and State agencies.

Since it would be considerably more difficult for a firm to meet the proposed test than to merely show that irreparable injury would occur, fewer stays would be granted, resulting in more rapid implementation of disqualifications. Speedier disqualifications would more quickly eliminate abuse by violating retailers and wholesalers as well as serve as general deterrents to retailer/wholesaler abuse.

The provision also applies the likelihood-of-prevailing standard to State agencies seeking to obtain stays during the pendency of judicial reviews. Just as it would be good management practice to require appellant retailers to meet the usual conditions for obtaining stays of administrative actions, so would it be prudent to extend such conditions to State agencies. Also, in some cases, the current irreparable injury test has been pleaded to permit States to delay almost indefinitely billings for liabilities or implementation of formal warning disallowances. The proposal, by making it more difficult to obtain stays, would help to assure that judicial reviews would not be requested routinely merely as delaying tactics, but only when States genuinely believed their position would be upheld by the courts.

Hours of operation (Sec. 1436)

The President's Task Force on Food Assistance recommended encouraging States to keep food stamp offices open during some nonbusiness hours, for example from 5 to 9 p.m. on some weekdays or during some hours on Saturday. The Task Force noted, "The work incentives of the program will be more effective if recipients who are employed can have access to the system during nonworking hours".

The Committee approved a provision requiring that in establishing standards for the efficient and effective administration of the food stamp program, the Secretary include standards for periodic review of food stamp office hours to ensure that persons who are employed are adequately served. It is not the intent of the provision for the Secretary to mandate specific standards for the hours that food stamp offices shall be open. That decision remains one solely to be made by State and local food stamp agencies. Rather, the Secretary is charged with setting standards for State agencies to ensure that State agencies conduct their own reviews of the adequacy of the hours of operation of food stamp offices.

The Committee does not intend this assessment to be an administrative burden to States but should follow the normal evaluation of the needs of the community.

Error rate reduction program—(Sec. 1437)

Error rates, which reflect both overissuances and underissuances, have been a significant problem in the Food Stamp Program for several years.

Overissuances alone, not including underissuances, account for 8.36 percent of all food stamp benefits issued, according to the most recent official figures from the Department of Agriculture. These benefits go to those who are either ineligible for food stamp assistance, or to those who, though eligible, receive more than the amount to which they are legitimately entitled. The following table outlines the most recent error rates as published by the Department of Agriculture:

ERROR RATE BY STATE OCTOBER 1982—SEPTEMBER 1983

Region and State	Ineligibles	Percent of Dollars in Error		Payment error rate [1]
		Overissuances	Underissuances	
Connecticut	6.85	5.93	2.79	12.80
Maine	4.01	4.38	2.34	8.37
Massachusetts	6.37	5.71	1.81	12.96
New Hampshire	4.42	5.65	1.93	9.99
New York	4.83	5.51	3.05	10.43
Rhode Island	2.88	6.06	2.56	8.90
Vermont	6.93	9.36	2.68	16.22
Regional subtotal	5.08	5.60	2.78	10.86
Delaware	1.93	2.97	1.87	4.94
Dist. of Columbia	4.70	5.39	3.09	10.08
Maryland	2.99	4.12	2.19	7.12
New Jersey	3.70	4.08	2.44	7.95
Pennsylvania	5.24	5.12	2.02	10.37
Virginia	2.95	3.68	2.14	6.46
Virgin Islands	8.19	6.35	4.79	14.77
West Virginia	2.12	3.41	1.85	5.52
Regional subtotal	3.95	4.39	2.20	8.36
Alabama	2.62	4.64	1.96	6.98
Florida	4.33	5.88	3.10	10.20
Georgia	3.02	4.74	2.35	7.48
Kentucky	2.95	3.97	1.88	6.90
Mississippi	3.51	5.09	3.01	8.33
North Carolina	2.21	5.61	3.29	7.86
South Carolina	2.63	6.23	2.48	8.74
Tennessee	2.51	4.33	1.94	6.83
Regional subtotal	3.07	5.03	2.50	7.99
Illinois	2.66	4.57	2.41	7.23
Indiana	3.07	5.70	2.06	8.77
Michigan	4.17	3.61	2.07	7.70
Minnesota	3.63	4.36	1.72	8.01
Ohio	2.93	3.95	1.38	6.90
Wisconsin	3.34	4.78	3.38	8.27
Regional subtotal	3.23	4.29	2.02	7.52
Arkansas	3.70	5.08	1.95	8.88
Louisiana	3.92	4.98	2.48	8.78
New Mexico	5.09	6.35	3.03	11.43
Oklahoma	4.44	4.37	3.40	8.79
Texas	3.04	4.51	2.40	7.57
Regional subtotal	3.57	4.81	2.49	8.37
Colorado	6.36	6.25	2.33	12.63
Iowa	3.97	4.54	1.97	8.51
Kansas	3.58	5.52	1.89	9.09
Missouri	2.16	4.48	2.29	7.20
Montana	2.47	3.13	1.32	5.52
Nebraska	3.76	3.58	2.36	7.22
North Dakota	2.21	2.78	.73	4.98

ERROR RATE BY STATE OCTOBER 1982—SEPTEMBER 1983—Continued

Region and State	Ineligibles	Percent of Dollars in Error		Payment error rate[1]
		Overissuances	Underissuances	
South Dakota	3.68	3.96	1.10	7.88
Utah	6.38	6.29	2.52	13.29
Wyoming	4.86	5.36	1.98	9.88
Regional subtotal	3.74	4.83	2.09	8.78
Alaska	7.72	6.06	2.39	13.86
Arizona	4.68	5.22	3.27	9.79
California	2.55	3.90	3.76	6.78
Guam	6.07	1.47	1.42	7.57
Idaho	1.97	2.45	1.24	4.28
Nevada	4.66	4.18	1.64	8.48
Oregon	3.21	7.05	2.49	10.22
Washington	5.43	4.54	1.56	10.08
Regional subtotal	3.27	4.34	3.02	7.77
United States	3.60	4.73	2.43	8.36

[1] Payment Error rate includes ineligibles and overissuances.

Source: U.S. Department of Agriculture.

The Omnibus Budget Reconciliation Act of 1982 established specific error rate targets in the Food Stamp Program. States are now required to have overissuance error rates at or below 5 percent for fiscal year 1985 and for each fiscal year thereafter.

Under current law, States that fail to meet this error rate target will incur a penalty based on a reduction of the percentage of the Federal reimbusement for administrative costs for the program. The Federal Government pays for all benefit costs of the program and, generally, for 50 percent of administrative costs.

Under the present system, the Federal share of administrative costs (normally about 50 percent of a State's total administrative costs) is reduced by 5 percent for each 1 percentage point, or fraction thereof, by which the State's overpayment rate exceeds the 5 percent target. If the State's overpayment rate exceeds the target by more than 3 percentage points, it would lose an additional 5 percent (for a total of 10 percent) of its Federal administrative funding for each percentage point or fraction thereof exceeding the 3-percentage point difference.

To illustrate, overpayment rates above the target by 1, 2, and 3 percent now result in sanctions equal to reduction of 5, 10, and 15 percent of administrative costs, respectively; overpayment rates above the target by 4, 5, and 6 percent result in sanctions of 25, 35, and 45 percent, respectively.

The Reagan administration had initially proposed in 1982, that the error rate tolerance level be established at a lower rate than that finally agreed on, with a phase-down of the tolerance level to zero over 3 years. Additionally, the original administration recommendation, unlike that adopted, provided that the basis for the sanction calculation was to be the actual dollars overissued, rather than a percentage of administrative expenses.

The President's Task Force on Food Assistance recommended in January 1984 that the error rate sanction be strengthened by requiring States to be fully responsible for overpayment errors above 5 percent. Under the Task Force recommendation, the basis for sanctions in the program would be the actual value of dollars overissued above the tolerance level, rather than the share of administrative expenses. Essentially, the Task Force recommendation for the basis of the sanction, actual dollars overissued, was the same as that which the administration had initially proposed in 1982 and each year subsequently, although the tolerance level, 5 percent, was higher than the administration's proposals.

The new sanction formula established by the Committee is more equitable in that it bases liability strictly on losses to the Federal Government without regard to level of administrative spending.

The General Accounting Office reported in 1984 that the existing Food Stamp Sanction Program results in propertionately smaller sanctions for the same degree of error than the AFDC and SSI Programs. (See "Federal and State Liability for Inaccurate Payments of Food Stamp, AFDC, and SSI Program Benefits," GAO/RCED-84-155, April 25, 1984.) The GAO noted that this was because of: One, the Food Stamp Program's higher target error rate—AFDC's error rate is 3 percent, SSI's is 4 percent; and two, because of its specific procedures for calculating sanction amounts based on a percentage of federally reimbursed administrative costs instead of the amount of benefits issued as in the AFDC and SSI Programs. The GAO also reported that despite the sanction systems in both the AFDC and Food Stamp Programs, States had not actually reimbursed the Federal Government for any sanction amounts. Since the GAO report, one State—Connecticut—has reimbursed the Federal Government for the food stamp sanction, but is appealing the sanction through the courts.

The Committee notes that while error rates have improved somewhat, apparently in response to the initial error rate system established in 1982, overissuances remain unacceptably high, and are projected to remain so. The projection for overissuances in the Food Stamp Program under the current law system, both in dollars and as a percent of benefits, is as follows, according to the Congressional Budget Office:

	Fiscal year—				
	1986	1987	1988	1989	1990
In millions	$850	$869	$885	$903	$919
As percent of benefits	7.8	7.6	7.4	7.2	7

In response to this situation, the Committee has adopted a provision to tighten further the error rates sanction system in the Food Stamp Program. Specifically, the bill provides that States will reimburse the Federal Government for the full benefit cost of all errors which exceed 7 percent. For error rates between 5-7 percent, the States would reimburse the Federal Government for 75 percent of the value of the benefits overissued in error.

Thus, a State with an error rate of 6.5 percent would be liable for an amount equal to 75 percent of 1.5 percent of the benefits issued in the State. A State with an error rate of 8.0 percent would be sanctioned an amount equal to 75 percent of 2 percent of the benefits issued in the State and 100 percent of 1 percent of the benefits issued in the State.

The Committee emphasizes that the sanction system does not affect benefits of legitimate recipients. Rather, it is expected that States will be given additional incentives to ensure that they administer the program in an effective and efficient manner in order to avoid the payment of sanctions for high error rates. At the present time, the Federal Government, and thus Federal taxpayers, absorb most of the loss of any overissuances which occur in the States. In recent years, these costs have been approximately $1 billion per year.

Several witnesses from both the Grace Commission, the General Accounting Office, and the Office of Inspector General of the Department of Agriculture have noted that increased State attention to overissuance errors would likely result from tightened error tolerance sanctions.

The Grace Commission report stated:

> The Food Stamp Program is the only major welfare program whose benefits are 100 percent funded by the Federal Government, yet which is administered at the State and local levels. Findings * * * indicate that States must be provided with greater incentives to reduce errors in the Food Stamp Program.

Dr. John Raisian, executive director of the President's Task Force, testified on March 21, 1984 and answered questions about the incentive feature of the increased sanction recommended by the Task Force. Said Dr. Raisian:

> What we do find in our daily lifetime circumstances is that oftentimes when a penalty goes up, people do respond to the size of the penalty. In the case of sanctions of individual States being responsible for errors in excess of 5 percent, I would emphasize that there will be a doubling in the size of the sanction relative to the current situation only if there were no responses. Now, presumably, if that penalty is sufficiently high, then there would be a sizable response * * *

It is the Committee's expectation that States, like other entities, will respond to incentives. In all probability, not all States would be subjected to actual fiscal penalties under the error rate sanction system recommended by the Committee. Rather, it is hoped that States would respond to this new incentive by improving their administration of the Food Stamp Program. Federal taxpayers would be advantaged by the reduction in otherwise anticipated error rates and the consequent reduction in misspent Federal funds these error rates represent.

The bill, as reported from Committee, also would reduce the fiscal sanctions otherwise applicable by 75 percent of the value of claims established, collected, and remitted to the Federal Government beginning with overissuances occurring after October 1, 1985.

Cash payment pilot projects—(Sec. 1439)

The Committee bill extends through September 30, 1989 the pilot projects which permit certain Supplemental Security Income (SSI) and elderly recipients to receive cash in lieu of food stamp benefits.

Under the pilot projects, households whose members are all 65 years old or older or participate in the Supplemental Security Income (SSI) Program may receive cash food stamp benefits in the form of checks rather than in the usual form of food coupons. Households in the pilot project areas apply for food stamp benefits under regular application procedures, but receive a check rather than coupons.

The Department of Agriculture reported on the findings from the first several years of the pilot projects in 1982 (see "Food Stamp SSI/Elderly Cashout Demonstration Evaluation", Final Report, June 1982).

The report indicated that issuance costs were reduced by approximately 36 percent and that there was no evidence that cashout weakened the link between program benefits and dietary intake. Food expenditures increased, whether the benefits were issued in the form of cash or coupons.

The following are areas with the SSI/elderly cashout pilot projects: the States of Vermont and Utah; Hennepin County, Minnesota; Monroe County, New York; Cuyahoga County, Ohio; Clackamas, Columbia, Multnomah, and Washington Counties, Oregon; Darlington, Dillon, Florence, and Marion Counties, South Carolina; and Arlington County, Virginia.

The Committee believes that the projects are worthy of continuation, and the Committee will reauthorize them for 4 years.

Cash change pilot project—(Sec. 1440)

Concerns have been expressed that some food stamp participants cash food stamps by purchasing an item such as a candy bar at one or more locations or by going through the checkout counter several times buying inexpensive eligible food items and then using the accumulated change to buy ineligible items such as alcoholic beverages or cigarettes—thus circumventing the purpose of the program.

In 1982, the General Accounting Office identified three alternatives to the present policy of providing cash change for amounts up to $1. (See "Use of Scrip Versus Cash in Making Change for Food Stamp Purchases," letter report to Honorable William Whitehurst, House of Representatives, May 21, 1982.) Those alternatives were:

Return to the use of scrip (that is credit slips, usable for future food purchases). Scrip was previously used in the program between 1972 and 1977.

Use a combination of cash and scrip. In 1981, the Department of Agriculture proposed legislation to require that scrip be used as change in the case of all purchases totaling less than $5. In the case of all purchases of $5 and over, cash change of less than $1 could continue to be given. The administration stated that this option would minimize cash change abuses since most food stamp recipients might not be willing to spend $5 in food stamps to get less than $1 in cash change. At the same time, participants who purchase larger food orders would not need to deal with receiving scrip as change.

Require participants to pay cash for any cost over an even-dollar amount or purchase additional food. Under this option, a participant would use food stamps up to the nearest dollar of the purchase and either pay the balance in cash or purchase additional food (trade out) up to an even-dollar amount. A further refinement of this option would be to allow stores to give some small amount of cash change, for example 10 cents or so, so that participants would have some leeway in trading out.

Reports of abuses of the existing cash change system are commonplace. Senator James McClure (R-Idaho) had introduced a bill, S. 835, which included a provision to require the immediate elimination of cash change and the substitution of a requirement that recipients pay the excess above an even-dollar purchase.

The Committee adopted a provision to authorize the Secretary of Agriculture to conduct a pilot project on the effects of eliminating cash change as provided in the McClure bill. Under the pilot project, household members using coupons to purchase food would be required to pay cash for the amount of the purchase in excess of the value of the $1 coupon (the smallest denomination). The Secretary would evaluate the effect of this requirement on retail stores and participating households.

The Committee's bill specifies this as one method to be employed in any pilot project on the subject to cash change. Of course, the Committee recognizes the Secretary's general authority to run pilot projects improving the operation of the program, and that this general authority could be used to test additional approaches to the cash change issue.

Authorization for appropriations and transfer of funds—(Sec. 1441 and 1442)

The Committee reauthorized the food stamp program for 4 years and set annual authorization ceilings for the program. These authorization ceilings are as follows:

Authorization Ceiling

[In billions of dollars]

Fiscal year:	
1986	12.984
1987	13.572
1988	14.154
1989	14.695

The authorization ceilings have been arrived at by taking the Congressional Budget Office "current services baseline" (before accounting for any savings achieved in the Committee's bill) and adding 2.5 percent of the sum to the result.

Inasmuch as the Committee bill achieves some modest savings, the authorization ceilings are effectively established at approximately 3.5 percent above the cost of the Committee bill in the first year and higher rates in the outyears.

The establishment of annual appropriations ceilings serves the very useful purpose of ensuring that there will be continual close Congressional scrutiny of the program. If these "caps" are in danger of being reached, it may indicate the need for further action to hold costs within the authorized amounts.

It should be emphasized that the food stamp program is an authorization subject to appropriation, not, strictly speaking, an entitlement program. Under the Food Stamp Act of 1977—section 18(b)—the Secretary is to keep Congress advised monthly on food stamp expenditures. If the Secretary determines that food stamp allotments for the full year will exceed appropriations, the Secretary is to direct the State agencies to reduce the value of allotments to participating households to the extent necessary to remain within the appropriated funds.

Although section 18(b) remains in the statute, the benefit reduction portion has never been activated. Congress has thus far always decided to increase appropriations for the program rather than permit the Secretary of Agriculture to implement benefit reductions. In essence, although the program is an authorization subject to appropriations, it is quite similar to an entitlement program inasmuch as, in practice, Congress thus far has always fully funded the program as if it were an entitlement.

In recent years, agriculture appropriations bills have provided for certain transfers of funds from the food stamp program account to various other agencies of the Department of Agriculture—most notably the Office of Inspector General and the Office of General Counsel. Both of these offices do considerable work in connection with the food stamp program.

The Committee bill includes a provision to require that, beginning with fiscal year 1987, such transfers shall not be permitted. The Committee is concerned that appropriations for each program and office within the Department should be clearly delineated in the appropriations bill, and that significant funding for these small offices should not be "hidden" within the multibillion dollar food stamp appropriation.

The Committee's amendment is intended to permit more thorough Congressional review of the operation of these important offices within USDA.

Puerto Rico block grant—(Sec. 1443)

The Committee bill makes several modifications in the aspects of the nutritional assistance block grant for Puerto Rico. Since July 1982, the Commonwealth of Puerto Rico has operated a block grant in lieu of the Food Stamp Program. This nutrition assistance program (NAP) was established at $825 million annually. The $825 million grant approach was taken out of concern for what had been the enormous growth of the program which, in 1981, was serving approximately 56 percent of the population at an anticipated annual cost of $1.1 billion.

Funding for the Food Stamp Program in Puerto Rico was reduced, and total flexibility was provided to permit Puerto Rico to design a program to meet its needs. No limitation was put on the form which such assistance would, or should, take.

Under the block grant, Puerto Rico became responsible for the development and operation of the nutrition assistance block grant, with the Secretary of Agriculture maintaining oversight for the program's operation.

The Commonwealth made numerous changes in the administration of the program, many designed to improve the program's administration and make it less subject to waste, fraud, and abuse. Eligibility levels were slightly reduced, verification of information was increased, and the Commonwealth changed the means of distributing food assistance.

Rather than provide food stamp coupons, the Commonwealth opted to send recipients a monthly check which they were to use for the purchase of food. The Commonwealth calculated that savings would accrue from the elimination of substantial paperwork involved in the maintenance of paper coupons, reconciliation of such coupons from retail stores, theft, and other circumstances.

Concerns were raised in the House regarding the appropriateness of permitting cash in lieu of coupons. Legislation in the Omnibus Budget Reconciliation Act of 1982 (P.L. 97-253) required that Puerto Rico would have to develop a noncash system by October 1, 1983.

Subsequent legislation in 1983 postponed the date by which Puerto Rico would have to convert to a noncash system, first to January 1, 1984 (P.L. 98-107) and subsequently to October 1, 1985 (P.L. 98-204).

The Department of Agriculture has conducted two studies on the existing cash nutrition assistance program in Puerto Rico. The first, issued in early 1983, was based on the first few months of program operation and concluded that the cash system had not reduced the nutritional status of Puerto Rican recipients.

The second study, required by 1983 legislation was recently completed and submitted to Congress (see "Evaluation of the Nutrition Assistance Program in Puerto Rico", volumes I (March 1, 1985) and II (June 1, 1985).

The report again found that the new cash program "did not lead to major changes in household food expenditures or diet quality." The report said:

> . . . The effects of NAP's cash issuance provision were analyzed separately from the effects of NAP's restrictions on program eligibility and the level of benefits. The evaluation used two measures of household food expenditures—total food expenditure, which includes food used at home and away from home, and the money value of food used at home—and several measures of diet quality. The total food expenditure variable provides the most comprehensive measure of food expenditures, while the value of food used at home is more consistent with the nutrition measures, as they are based on food used at home. The analysis using these measures consistently shows that NAP, and particularly the cash issuance components of NAP, did not lead to major changes in household food expenditures or diet quality. In particular, while NAP led to small reduction in the total food expenditure of households, the change to cash issuance itself had no effect. Other measures of household food expenditure and nutrient availability showed small declines due to NAP and

smaller still due to cash issuance. These changes are not different from zero in a statistical sense.

The report also concluded that administrative costs declined by $9.6 million, or 18 percent, primarily because of the cash issuance aspect of the program. These savings have allowed Puerto Rico to direct more funds to program beneficiaries. The program also eliminated the potential for food stamp trafficking which was reported as a common occurrence under the Food Stamp Program.

The Committee's provision eliminating the noncash benefit requirement for Puerto Rico does not constitute an endorsement of cash assistance per se. Rather, the Committee supports the principle of permitting the Commonwealth of Puerto Rico to choose the system of benefit delivery that is most appropriate to meet its particular needs. If the Commonwealth should choose to deliver benefits in noncash form, it would be free to do so, subject to the Secretary's approval of a revised program plan.

The Committee also makes a modification in the date by which the Commonwealth must submit its plan describing the provision of assistance to be provided during the coming fiscal year. The date would be moved from July 1 to April 1 of the year preceding the start of the fiscal year for which the plan is to be in effect.

The Committee also modified a requirement that the Commonwealth designate a single agency as responsible for the supervision of program administration. The change would permit Puerto Rico to designate one agency as responsible for the primary nutrition assistance program and different agencies for special projects.

Because of concerns about the dislocating effect the massive flow of food stamps may have had on the Puerto Rican economy prior to the grant program, Congress indicated that a portion of the grant could be used for the purpose of agricultural development in Puerto Rico. A small portion of the grant has been used for this purpose and is managed by a different government agency in Puerto Rico from the agency that handles the bulk of the nutrition assistance program. It is this split responsibility that necessitates the modification with regard to the single agency for supervision of the program. The Committee expressed concern about the uses to which these agricultural development funds are being put, and requests that the Secretary keep the Committee advised of the purposes of this portion of the grant.

The Committee has maintained the $825 million annual authorization ceiling on the Puerto Rican program. When the grant level was established in 1982, the $825 million level was projected to represent a 25 percent reduction in spending from fiscal year 1983 levels. Because actual food price inflation was less than anticipated in 1981, the actual reduction in the total monthly value of benefits, issued in Puerto Rico during fiscal year 1983, for example, was about 15 percent less than would have been expected under the Food Stamp Program. In essence, the $825 million figure, which has been fully appropriated each year, resulted in a lower than anticipated reduction in the Puerto Rican program. Additionally, the Congress made additional reforms in the Omnibus Budget Reconciliation Act of 1982 to slow the costs of the Food Stamp Program. However, no reductions were made in that year with respect to the

Puerto Rico program. The Committee believes that the $825 million grant level is a reasonable one for the next four fiscal years, especially given the overall budgetary constraints faced by the Congress.

Commodity distribution program—Commodity Supplemental Food Program, and miscellaneous (Secs. 1450, 1451, 1452, and 1455)

The Committee adopted amendments extending and making revisions in the authority to operate commodity distribution programs. These amendments would amend the Agriculture and Consumer Protection Act of 1973 to extend, through fiscal year 1989, the Secretary's authority to purchase and distribute commodities to institutions, commodity supplemental food programs, disaster relief areas, summer camps for needy children, needy families on Indian reservations and in the Trust Territory of the Pacific Islands, and other commodity distribution programs. These programs provide nutrition assistance in situations where the food stamp program is not the most effective means of aid.

The Committee provision would also make a change in the age criteria by providing commodities to summer camps serving children age 18 and under, rather than under age 18 (as at present). The change will establish eligibility similar to that in the summer food service program.

In addition to the general extension of commodity distribution program authority, the Committee bill would specifically extend, through fiscal year 1989, the authority to provide administrative funds to operate commodity supplemental food programs serving low-income pregnant women, new mothers, infants, and children. Consistent with current practice, the Committee bill would also require that administrative funds: (1) come from annual appropriations; (2) be provided through State agencies, not directly to local agencies; and (3) be subject to a nationwide limit of 15 percent of the sum of the appropriations and the value of all commodities donated by the Secretary without charge which are included in food packages provided to participants.

Additionally, the Committee bill authorizes the Secretary to extend three pilot projects serving low-income elderly recipients through September 30, 1989.

When the Secretary determines that funds appropriated for the commodity supplemental food program exceed requirements at existing sites, then applications for new projects must be approved. In making determinations about the availability of funds, the Secretary is to take into consideration current and future needs of the existing sites.

The bill also authorizes the Secretary to permit State agencies to serve low-income elderly persons when unused caseload slots are available because of the lack of women, infants, and children to participate in the commodity supplemental food program. The bill provides that State agencies must ensure that services to the elderly do not displace services to these women, infants, and children.

The Committee bill also contains specific authority to permit a commissary store of the Department of Defense to donate non-USDA surplus, unmarketable food to a local food bank.

Temporary Emergency Food Assistance Program—(Secs. 1453 and 1454)

The Temporary Emergency Food Assistance Act of 1983 requires the Secretary of Agriculture to make available surplus CCC commodities to States for food assistance. It also authorizes funds to assist States and local agencies with some of the costs associated with transporting, storing and distributing the commodities. The dual purpose of the program is the disposal of Government-held surplus commodities to prevent waste and the provision of food assistance to low-income households.

Additionally, appropriations of $50 million in each of fiscal years 1983 and 1984 were approved by Congress to assist States in meeting the costs of storing and distributing the commodities. For fiscal year 1985, an initial appropriation of $50 million for these costs was supplemented by a later appropriation of $7 million. The program and funding authorizations for this program expire September 30, 1985.

The Committee bill reauthorizes the authority for the Secretary to distribute surplus commodities. The Committee bill modifies the Federal funding for storage and distributions costs to require a matching amount of funds from State. Under the Committee provision, beginning January 1, 1986, the $50 million Federal portion is available to match dollar-for-dollar cash expenditures by the State.

BACKGROUND

In December of 1981, the Administration announced that beginning January 1982, 30 million pounds of surplus cheese would be released to State agencies under a special dairy donation program. This release was done under the discretionary authority of existing statutes that govern the disposal of surplus commodities to prevent waste. The wide range of outlets eligible for such commodities under this discretionary authority included chid and elderly nutrition programs, needy persons on Indian reservations, charitable institutions, hospitals and certain approved food banks. In March 1982, the USDA announced that an additional 70 million pounds of cheese would be made available under the special dairy donation program, and additional announcements of both cheese and butter availability quickly followed. Over the 15 month period of this discretionary donation program (January 1982-March 1983) a total of 304 million pounds of cheese and 83 million pounds of butter, valued at approximately $580 million were delivered to the States.

These substantial donations did little to reduce the overall quantity of cheese and butter in Commodity Credit Corporation inventories since these items continued to be purchased in greater amounts than the amounts being released. Displacement of commerical sales, resulting in continued CCC purchases of dairy products, was another factor in the failure to reduce CCC inventories.

CREATION OF TEFAP

In March 1983, an emergency supplemental appropriations bill ("the Jobs bill", P.L. 98-8) was passed by Congress. It included the Temporary Emergency Food Assistance Act of 1983 which formalized the earlier discretionary donation program. This Act prompted the release of additional types of CCC commodities and appropriated $50 million for fiscal year 1983 to assist States and local agencies in meeting the costs of storing and distributing these commodities to low-income and unemployed persons.

In practice, the majority of TEFAP commodities have gone for emergency feeding through less traditional commodity recipient agencies.

By and large, the so-called "emergency feeding organizations" receiving TEFAP commodities distributed them to individual for at-home consumption, although some were distributed to soup kitchens and shelters.

The TEFAP commodities are generally distributed in forms suitable for home consumption. Foods distributed include: 5 pound blocks of process cheese, 1 pound prints of butter, 4 pound boxes of nonfat dry milk, 5 pound bags of flour and cornmeal, 2 pound bags of white rice, and 3 pound jars of honey.

In August 1983, the Temporary Emergency Food Assistance Act was revised and extended through fiscal year 1985 (P.L. 98-92). Among other things, the amendment specifically defined eligible agencies. It also set a priority for commodity allocations for certain types of agencies (i.e., those providing emergency food assistance to low-income and unemployed persons) if the amount of commodities allocated to a State was insufficient to meet all eligible agencies requests.

The revised law maintained the $50 million annual authorization for State and local agencies costs of storing and distributing commodities. Such support, however, was specifically limited to costs associated with the distribution of commodities by emergency feeding organizations. Thus, while the more traditional commodity outlets, such as schools, were among the agencies technically eligible for TEFAP commodities, they were explicitly precluded from receiving any Federal TEFAP administrative funding. This distinction, along with the lower priority for TEFAP commodity receipt by such agencies, was based on the fact that, unlike many emergency feeding organizations, traditional commodity recipient agencies generally received commodities under other programs, and had the facilities and resources for handling them, and did not target their benefits solely to the needy.

Under the earlier, discretionary donation program the volume of commodities provided to States had generally been based on State requests and the Secretary's discretion. Additionally, though some States confined commodity distributions to low-income populations, others did not, or left such eligibility decisions to local agency officials. This meant that in some cases persons with low incomes did not have access to commodities, while others with higher incomes did. In many States, all persons over a specific age had been eligible to receive commodities, regardless of income. Additionally, some organizations distributing commodities restricted receipt to their members, or based decisions about who could receive commodities on arbitrary or personal judgments of need.

Under P.L. 98-92, States had to establish criteria for recipient eligibility that takes need into account. Also, the Secretary of Agriculture was required to assure that, to the extent possible, the distribution of commodities does not interfere with commercial sales. As a consequence of these provisions, the overall volume of commodities made available by USDA was stabilized; USDA regulations were implemented requiring States to limit commodity distributions to low-income persons; and commodity allocations to States were based on each State's proportion of the Nation's low-income and unemployed population.

Along with making the program less discretionary, the TEFAP's other major features was the authorization of Federal funds to assist States and local agencies with the costs of storing and distributing the commodities. Annual funding of $50 million for each of fiscal years 1984 and 1985 was authorized. The funds were allocated to States in grants based on each State's proportion of unemployed people and people under poverty. States generally receive funds (up to the grant level) based on demonstrated expenditures for storage and distribution of the commodities. If the funds are not fully expended, they are returned to the Federal Government. Although advance payments could be made to States to assist emergency feeding organizations that demonstrated need.

The TEFAP law also requires that not less than 20 percent of the amount appropriated for administrative costs be made available for paying or providing advance payments to cover the local costs of commodity distribution by emergency feeding organizations. Thus, by regulation, States are required to provide at least 20 percent of their allocation for such local agency costs. Advance payments are permitted for such agencies' costs, but by regulation were limited to 35 percent of the amount provided to the State. Additionally, local agencies are specifically prohibited from receiving Federal funding in excess of 5 percent of the value of the commodities they receive for distribution.

The Committee is concerned about the fact that TEFAP is almost totally federally funded. The Federal Government is providing commodities valued at billions of dollars, processing those commodities, and transporting them to the States. During fiscal year 1984, the State distributed commodities valued at $1.1 billion. Additionally, since 1983, the Federal Government has provided $50 million annually to be used for storage and distribution costs within the States.

The Committee intends that there be greater shared responsibility with the States. Under the Committee's provision, the Secretary's basic authority to distribute surplus commodities is continued for 2 years. The Federal Government will continue to provide, free of charge, the commodities and pay for processing of the commodities into usable form and transport the commodities to locations within the States. However, the provision requires that storage and distribution costs within the States, now funded by the $50 millon authorization, be matched. Beginning January 1, 1986, these Federal funds will be available, on a dollar for dollar basis, to match funds from the State to pay for these storage and distribution costs. The Federal contribution will not exceed $50 million annually.

The Committee's provision does not restrict the State share of the match to State appropriated funds, but rather intends that private cash contributions may be used toward fulfilling the State's portion. It is also anticipated that Governors may use contingency funds available to them as well as regularly appropriated, but undesignated, State funds. All forms of contributon must be cash contributions. In-kind contributions do not count toward the available $50 million in Federal funds.

To the extent that some organizations and States have expressed a concern about the need for further funds to administer the program, this provision has the potential to double the level of administrative funds available. If a State fully matches its Federal grant, agencies will have twice as much money ($100 million) than if only the Federal grant were used. If a State does not provide a contribution, Federal funds will not be available for storage and distribution costs in that State, and the Secretary may reallocate the unused grant to other States.

Other provisions of the Committee bill require that the Secretary include a variety of surplus commodities available under several commodity distribution authorities. The bill amends section 1114 of the Agricultural and Food Act of 1981, which authorizes the Secretary to donate surplus commodities acquired under price support programs to food service programs, including the National School Lunch Program and nutrition programs under the Older Americans Act, to ensure that the following commodities are made available: dairy products, wheat or the products thereof, rice, honey, and cornmeal. As at present, these commodities would be distributed subject to the availability of surplus inventories for distribution and other requirements of the law.

The same type of amendment is added to the TEFAP authorization, requiring that these commodities are available: dairy products, wheat or the products thereof, rice, honey, and cornmeal. Again, these commodities may be distributed subject to the availability of surplus inventories for distribution and other requirements of law. To ensure that Congress is kept informed, the amendment requires the Secretary to submit a semiannual report to Congress on the types and amount of commodities available for distribution, starting January 1, 1986.

DISPLACEMENT OF COMMERCIAL SALES

An important purpose of TEFAP, in addition to providing food to needy persons, is to assist in reducing Government stocks of price-supported commodities by distributing such commodities to outlets, and ultimately to individuals, who would not otherwise purchase them. The legislation contains several provisions designed to ensure that TEFAP commodities do not serve to displace or substitute for commodities that would have been bought. The Committee reiterates its strong support for the displacement safeguards which are included in the reauthorized legislation.

In order to monitor more closely the potential displacement impact, the Committee bill requires an annual report to Congress on the extent to which displacement or substitution may be occurring as a result of commodity distribution under TEFAP.

If displacement or substitution occurs, there will be no net reduction in Government-held stocks, thereby negating an important purpose of the program. For example, if a recipient agency or individual recipient that currently purchases $40 worth of a commodity per month were provided the same amount of this commodity, and this is the only amount of the commodity that is desired, the program merely supplants normal market purchases of the commodity. Because the CCC stands ready to buy future dairy surpluses or to acquire other commodities through price-support activities, the Government may simply give away commodities with one hand and be forced to purchase or acquire additional stocks with the other.

The impact on agriculture of donating surplus commodities to needy households and organizations depends upon (1) whether donated commodities displace commodity purchases by the intended recipients, or (2) whether the donated commodities increase the food consumption of recipient households and organizations.

The Committee is concerned by several reports which point to considerable displacement impact form several commodities distributed under the program.

Concerns that displacement of cheese was having a major impact in the early days of the program (and in the discretionary program before it) led Congress to include in Public Law 98–92 a specific provision to require States to determine which persons in the State shall qualify as needy persons eligible for such commodities. The Secretary maintains ultimate discretion to approve or disapprove the State's submissions of criteria.

The issue of displacement carries with it the implication that nonneedy individuals are being served. In general, if the poor were the sole recipients, there should be little, or no, displacement. However, it is when higher income citizens—who might othewise buy the product—begin participating that displacement becomes a counterproductive influence.

The General Accounting Office issued a 1984 report which indicated that under the pre-TEFAP program (the discretionary authority exercised by the Secretary) "displacement of commercial sales was greater than necessary". (See "Improved Administration of Special Surplus Dairy Product Distribution Program Needed", GAO/RCED-84-58, March 14, 1984.)

The GAO report examined the early cheese distribution in eight States. The GAO concluded:

> Controls over the distribution of products were generally inadequate to prevent program abuse. Only two states required participants to show both identification and proof of eligibility. One state required participants to show identification only. In the remaining five states, local distributing agencies did not generally require participants to show either identification or proof of eligibility. Identification helps deter individuals from using fictitious names and provides a basis for checking on whether individuals received multiple issuance of products.

The GAO also recommended:

> The special distribution program could be made more effective it terms of reducing the amount of retail sales displacement and feeding the needy by providing better guidance on the population to be served and the controls needed to ensure that only the needy participate.

The GAO estimated that approximately 30 percent of the cheese distributed displaced commercial sales.

The Department's regulations following the tightened legislative parameters of the August 1983 legislation may have served to improve somewhat the displacement impact, especially in the case of cheese.

However, reports persist about significant displacement resulting from other commodities distributed under the program, most notably the impact of the butter distribution.

The initial GAO report contained an examination of the butter displacement situation in only one State, Iowa.

The GAO's analysis indicated that the impact of the butter distribution resulted in almost pound-for-pound displacement of commercial sales of butter and margarine. The impact on margarine is much greater because lower income households consume much greater quantities of margarine than butter. For example, the GAO noted that USDA's Household Food Consumption Survey for the North Central Region (which included Iowa) showed household with income of less than 185 percent of poverty consumed an average of 2.23 pounds of margarine compared with only 0.43 pounds of butter.

The GAO projected that the butter distribution in Iowa displaced butter sales by 16 percent and margarine sales by 81 percent, for a total displacement impact of 97 percent.

More recent reports have indicated similar displacement impact. Dr. James Zellner of the Economic Research Service of USDA issued a report indicating that during the 34 months of TEFAP operations an estimated 428 million pounds of butter were donated, displacing 370 million pounds of margarine.

In response to the reports of margarine displacement, the Secretary reduced by half the level of TEFAP butter donations effective August 1, 1985, from a monthly average of 12 million to 6 million pounds.

The Committee will expect the Secretary to respond to any further documentation of displacement by further reducing distribution of commodities found to cause commercial displacement. The annual report to the Congress may serve as a basis for such decisions, although the Secretary may certainly act before that report is submitted.

NATIONAL COMMODITY PROCESSING

Prior to 1983, in most States, State commodity distribution agencies that received commodities on behalf of recipient agencies—primarily schools—entered into inventory agreements or contracts with companies that processed the commodities into more usable end products.

For example, under commodity processing agreements, cheese distributed to the agency can be processed, in combination with other ingredients, into pizza or tacos for use in the school lunch program.

The advantage of such processing agreements is that commodities can be delivered first to the processor, thereby saving transportation and storage costs otherwise incurred by the States or the schools (the initial recipients of the commodities).

Because some States had not established their own processing agreements, the Congress acted in 1983 to establish national commodity processing (NCP) agreements in order to ensure that local schools in all States would have access to this type of inventory agreement. The national commodity processing program was also intended to reduce the surplus of dairy commodities by expanding the market for processed commodities.

It was expected that the use of this system would result in an expansion of surplus commodity usage and would benefit many participants in all the Department's food assistance programs.

The initiation of national commodity processing agreements was contained in the "jobs bill" of 1983, the emergency jobs appropriations act for fiscal year 1983 (P.L. 98-8). States could continue their own processing programs and were expected to do so. The national commodity processing program was available only for bonus commodities, primarily dairy products, while State processing usually included not only bonus, but also entitlement, commodities. The national program was aimed at assisting schools in States that did not operate State processing programs.

The Department has recently completed an evaluation of the first two years of the program (see "Evaluation of National Commodity Processing", April 3, 1985).

Among the evaluation's findings were that the program:

Fell far short of its objective of increasing consumption by 100 million pounds per year;

Federal costs were 600 percent more to administer than was saved through food storage costs;

Failed to expand significantly the sales to nonschool recipient agencies and to States without bonus processing programs;

Resulted in a concentration of use, both of recipient agencies (concentrated in the Midwest) and among food processors (10 percent of the processors handled 97 percent of the sales);

Primarily displaced rather than supplemented State processing.

Under the national commodity processing agreements, products made from cheddar cheese, mainly pizza, account for nearly 85 percent of sales.

National commodity processing has always been intended to supplement existing State processing programs. The Committee is particularly concerned by the finding that "NCP sales reflect considerable displacement of State bonus processing". Since inception of the NCP program, eleven States have completely dropped bonus processing. All cited overlap with NCP as one of the reasons. Seven of these States also discontinued processing contracts for entitlement commodities. The reported number of State processing contracts has also dropped during this period.

The Committee notes the recent supplemental appropriations act (P.L. 99-88) extended the national commodity processing agreements through June 30, 1986. The Administration had proposed the termination of these national processing agreements and the substitution of State commodity processing agreements with improved Federal oversight.

The Committee is concerned that with the implementation of national commodity processing agreements in 1983, several States that had previously maintained their own systems dropped them and relinquished these responsibilities to the Federal Government.

The Committee concurs with the 1-year extension included in the appropriations act, and includes in this bill a further extension through June 30, 1987, to provide a more adequate time for a transition from the national program to State-operated programs. The Committee expects the Secretary to operate the program until a State operated processing system is established. The Committee expects the Secretary to provide ample advance notice about the parameters of the new system so that States will not experience transition difficulties in 1987 when the authority for the Federal processing agreements expire.

Effective dates—(Sec. 1460)

The Committee continues to be concerned that provisions adopted by the Congress be implemented in a timely manner. Improvements have been made in recent years, but the Committee continues to desire that changes in regulations to implement changes in law be implemented quickly. This is particularly necessary for provisions which have a budget saving impact inasmuch as the savings are generally predicated on a particular implementation schedule.

The Committee recognizes that in recent years when the Secretary has attempted to expedite such implementation, the Department has been subject to lawsuits. Therefore, the Committee bill expressly provides that notwithstanding other provisions of the Food Stamp Act and the Administrative Procedures Act, the Secretary is to implement the provisions of the food stamp title as soon as possible, but in no event later than March 1, 1986.

This would be done by implementing the provisions through interim regulations that would be subject to comment after issuance.

TITLE XV—AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING

BACKGROUND

The challenges facing agriculture during the 1970's were to expend its productive capability in order to meet the food and fiber needs of a growing world population. In responding to this challenge, the country's agricultural science and education resources served it well, helping farmers and agribusiness to overcome energy and other resource constraints that could have been expected to halt the succession of yield and productivity increases that has distinguished American agriculture.

U.S. agriculture faces far different challenges today. Our agricultural research programs must respond accordingly to these challenges. Although the United States remains the largest exporter of farm commodities, it faces competition from countries determined to increase their agricultural self-sufficiency, or that can produce for less, or both. Because of American agriculture's heavy reliance on a strong export market to assure its prosperity, the downturn in export markets since 1981 had led to a corresponding decrease in farm income and asset values, and resulted in credit difficulties for some farmers.

Perhaps the greatest challenge facing agriculture today and for the rest of the decade is the need to reduce the farmers' cost of production. The challenge remains one of improving agricultural productivity and efficiency in order to overcome foreign competition that has taken over some traditional export markets for U.S. farmers.

The challenge to increase farm profitability will likely include some of the same elements that have characterized agricultural science and education efforts in the past: energy use must be reduced, soil and water resources conserved, production and management skills sharpened, and farm self-sufficiency enhanced. But overcoming the challenge will depend this time, as never before, on the farmers access to these emerging technologies. These sciences simply must be more readily available to commercial-sized farming operations if the U.S. is to compete abroad and if we are to avoid losing many more family farmers.

PURPOSE AND NEED

Subtitle A

Findings

The bill amends the National Agricultural Research, Extension, and Teaching Policy Act of 1977 ("the 1977 Act") to add congressional findings to the effect that the agricultural system of the United States (1) is increasingly dependent on science and technology to maintain and improve productivity levels, manage the resource base, provide high quality products, and protect the environment and (2) requires a constant supply of expertise in food and agricultural sciences. The purpose of these additional findings is to emphasize the importance of science and technology to maintaining a competitive agricultural sector in this country. This science and technology must be supported on a constant basis and cannot be turned on and off during periods of surpluses or shortages.

Definitions

The bill expands the definition of "food and agricultural sciences" for purposes of the 1977 Act to include international food and agricultural issues, such as agricultural development, development of institutions, germ plasm collection and preservation, information exchange and storage, and scientific exchanges. The present definition is expanded in order to meet the needs of today's agricultural system. With nearly 40 percent of U.S. farm goods going into foreign commerce, we simply must consider international agricultural matters when developing our overall research needs.

Responsibilities of the Secretary of Agriculture

The bill deletes the requirement that the Secretary of Agriculture develop, in conjunction with others, a long-term needs assessment for food, fiber, and forest products and determine the research requirements necessary to meet such needs. This assessment has been completed.

The bill requires the Secretary to establish appropriate controls with respect to the development and use of the application of biotechnology to agriculture. The Committee believes very strongly that the U.S. Department of Agriculture should be the lead agency for establishing appropriate controls for the development and use of biotechnology research for agriculture. This research has the potential to greatly alter our entire agricultural production system and the Committee believes that the Department of Agriculture is the Federal agency most capable of regulating biotechnology research in a way that benefits U.S. agriculture most.

Joint Council on Food and Agricultural Sciences

The term of the Joint Council on Food and Agricultural Sciences is extended through September 30, 1989. The Joint Council whose membership is representative of organizations, agencies, and academia involved in the conduct of programs of research, extension, and teaching in the food and agricultural sciences provides the Secretary with a readily available source of input from these sectors in the industry.

National Agricultural Research and Extension Users Advisory Board

The term of the National Agricultural Research and Extension Users Advisory Board is extended through September 30, 1989. The Committee recommends extension of the term of the Board and believes that input producers and others who benefit directly from this research is important to the development of applicable research and extension programs.

The requirement that the Advisory Board submit a report, not later than February 20 of each year, to the President and the agriculture and appropriations committees of the House and Senate on the Advisory Board,'s appraisal of the President's proposed budget for the food and agricultural sciences has been deleted. An appraisal of the proposed budget of the President would be included in the Advisory Board's annual July 1 statement to the Secretary.

Federal-State partnership

The bill amends the 1977 Act which states in part that a unique partnership arrangement exists between the Federal Government and the States in food and agricultural research, extension and teaching; and states the need to preserve and enhance such partnership. The bill amends the 1977 act by adding international agricultural programs under title XII of the Foreign Assistance Act of 1961 to the appropriate statutes that effect this partnership.

The Committee believes very strongly that this partnership must be maintained and enhanced in order to ensure that these programs are directed toward the needs of individuals in all regions. Without the States' resources, input, and cooperation, these programs would likely be more centralized and less beneficial to the needs of local individuals and producers.

Report of the Secretary of Agriculture

The bill deletes the requirement that the Secretary include in the 1984 report to the President and the Congress on the Nation's agricultural research, extension, and teaching activities a needs assessment. The assessment has been completed and the report issued.

Competitive, Special, and Facilities Research Grants Program

The bill adds to the list of high priority research areas research to develop new and alternative industrial uses for agricultural crops and research to reduce farm input costs through the collection of national and international data and the transfer of appropriate technology relating to sustainable agricultural systems, soil, energy and water conservation technologies, rural and farm resource management, and the diversification of farm product processing and marketing systems. The Committee has recommended additions to the list of high priority research in order to make this list more responsive to the needs of today's agricultural sector. U.S. farmers presently very low prices, shrinking markets, and a cost of production that remains high relative to actual market prices. The Committee believes that these research grants must be directed toward reducing production costs in order for more farmers to realize a profit at today's prices. The Committee has also added language to help promote the development of new uses for farm products which will help to reduce the adverse impacts of sluggish export demand. The Committee also recognizes that research in the area of conservation is absolutely essential to preserving a productive agriculture base for future generations.

The bill authorizes appropriations of $70,000,000 for each of the fiscal years 1986 through 1989 for competitive research grants. The fiscal year 1985 authorization for competitive research grants stands at $50 million, $46 million have been appropriated for fiscal year 1985. The Committee believes that increasing the authorization cap to $70 million will be adequate to cover any potential appropriation increase in future years.

The bill also provides that the Federal Advisory Committee Act and title XVIII of the Food and Agriculture Act of 1977 would not apply to a panel or board created for the purpose of reviewing applications or proposals submitted under the competitive, special or facilities grants programs authorized by section 2 of the 1965 Act. The Committee believes that peer review panels established for the purpose of reviewing and ranking by scientific excellence applications for grants for scientific projects should be distinguished from committees formed to advise the Secretary generally.

Grants for schools of veterinary medicine

The Committee has recommended an increase from 4 to 5 percent in the amount of funds appropriated for grants to States to established or expand schools of veterinary medicine. Those funds would be retained by the Department of Agriculture for administration, program assistance to eligible States, and program coordination. These administrative expenses include the handling and processing of grant proposals from receipt of the proposal to final disposition, finding and declination. The agency must pay the salaries for program managers to supervise the review of the review and distribution of each proposal to at least three outside reviewers in addition to the appropriate peer panels. The agency must also evaulate and monitor progress on each grant. The Department of Agriculture testified that 5 percent more closely reflected the actual administrative expense associated with each grant. Under current law, the agency must tap other sources of funds to make up for the lack of administrative funding. The Committee believes that each research grant program should cover all expenses associated with carrying out that program, including administrative expenses.

Research facilities

The Research Facilities Act, which sets forth congressional policy of suporting research at eligible institutions through Federal-grant funds to help finance physical research facilities, is amended to provide that such grants be on a matching funds basis and that the funds may be used to help finance research equipment as well as physical facilities as required for the effective conduct of an agricultural research and related academic programs. The Committee is concerned about the fact that the Research Facilities Act has not been a viable program for more than 15 years. Funds have not been appropriated for this program since 1970. It is hoped that by broadening the policy statements and by eliminating the formula language, this program can become a source of vital research facilities funds.

The purpose of the Research Facilities Act is also to assist eligible institutions in the construction, acquisition, and remodeling of buildings, laboratories, and other capital facilities (including the acquisition of fixtures and equipment which are to become a part of the buildings) which are necessary to more effectively conduct research in agricultural and related sciences through Federal grants. The Facilities Act is amended to eliminate the requirement that allowable fixtures and equipment include only those which are to become part of the buildings and to provide that Federal grants be matching grants. The Committee recognizes that the cost of some of today's modern scientific equipment far exceeds the cost of the building which houses such equipment. The Committee believes the research facilities funds should be authorized for such equipment purchases.

The Research Facilities Act is amended to expend the definition of "State" to include the District of Columbia, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands. This amendment to the Research Facilities Act is consistent with language in other statutes which authorize research and extension funds for these territories. In additon, the bill expands the definition of "eligible institution" to include departments otherwise established pursuant to standards prescribed by any State the purpose of which is to conduct forestry, or veterinary medicine research in addition to agricultural research.

The Research Facilities Act is amended to extend the authorization for appropriations at the current level of $31 million for each of the fiscal years 1986 through 1989. Given that no funds have been appropriated to this program in many years, the Committee believes that the current authorization level of $31 million will address potential needs in the immediate future.

The amount of the non-Federal share required for a matching grant under the Research Facilities Act would be determined by the Secretary. The Committee believes that it would be unwise to attempt to arbitrarily set the matching requirements. This authority has been given to the Secretary to use in such a way that is most likely to enhance participation in the program.

The Research Facilities Act is amended by striking out the formula for allocating funds for research facilities among eligible institutions. It is believed that the allocation formula has contributed to the non-use of this program. It required that the first $4 million appropriated be shared qually among all eligible institutions. Any additional amounts were to be apportioned in proportion of the percent of research funds received by each institution. The Committee believes that the elimination of the formula will permit funds to be targeted to specific needs for research facilities, and provide some incentive for an institution to devote its scarce resources toward securing a research facilities grant.

Grants and fellowships for food and agricultural sciences education

The bill eliminates the requirement that grants for food and agriculture sciences education be made without regard to matching funds. The Committee believes that since the program was designed and authorized to provide support to recruit and train new students, it would be desirable that, to the maximum extent possible, the funds be used to recruit and support fellowships, not provide additional administrative funds to the institutions. The amendment is not for the purpose of requiring matching funds, rather to provide a mechanism to award extra points during the review process to those institutions which make maximum use of Federal dollars awarded for the support of fellows.

The bill extends the authorization of appropriations for grants and fellowships for food and agricultural sciences education at the current level of $50 million for each of the fiscal years 1986 through 1989. The fiscal year 1985 appropriation for higher education fellowship grants presently stands at $5 million. The Committee believes that extending the present $50 million authorization level adequately reflects the needs of this program throughout the life of the bill.

Food and Human Nutrition Research and Extension Program

Under current law, the Secretary is required to perform a study assessing the potential value and cost of establishing regional food and human nutrition research centers in the United States and to submit a report concerning the findings of the study and recommendations to the Congress. Also under current law, the Secretary and the Secretary of Health and Human Services are required to formulate and submit to Congress a plan for a human nutrition research management system. Both requirements have been carried out and the reports have been submitted to the Congress.

Animal health and disease research

The term of the Animal Health Science Research Advisory Board is extended through September 30, 1989. The Committee recognizes that the input from the Board is necessary to better regulate and oversee the Animal Health and Disease Research program.

The authorization for appropriations for continuing animal health and disease research programs is extended at the current level of $25 million annually through fiscal year 1989. The current fiscal year 1985 appropriation stands at about $6 million. The Committee beleives that a simple extension of current authorization levels will adequately reflect the needs of this program throughout the life of the bill.

The authorization for appropriations for research on national or regional programs is extended at the current level of $35 million annually through fiscal year 1989. Congress did not appropriate funds for this program in fiscal year 1985. While most research projects of this kind have been funded under the special grant program, the Committee voted to retain this authorization authority for any future research needs that may not be adequately addressed in the special grant program.

Research and extension at 1890 land-grant colleges

The bill extends through fiscal year 1989 the requirement that an amount not less than 6 percent of the total appropriations for each year under the Smith-Level Act be appropriated for extension at 1890 land-grant colleges and Tuskegee Institute. Current law requires that an amount not less than 6 percent of total funds appropriated for the Smith-Lever Act be appropriated for agricultural and forestry extension at 1890 land grant colleges, including Tuskegee Institute. The Committee has received testimony stating that the 6 percent adequately reflects the needs of these institutions and has voted to extend the formula though the life of the bill.

The 1977 Act, which authorizes annual appropriations to support continuing agricultural research at 1980 land-grant colleges and Tuskegee Institute, is amended to add a provision to allow no more than 5 percent of the funds received by such institutions to be carried forward to the succeeding fiscal year.

International agricultural research and extension

The Secretary's authority to work with developed and transitional countries on food, agricultural and related research and extension is expanded to include the provision of technical assistance and advice in addition to the training of persons from such countries engaged in such activities. In addition, the bill qualifies the Secretary's authority to assist U.S. colleges and universities in strengthening their capabilities for food, agricultural, and related research and extension relevant to agricultural development activities in other countries by specifically providing that this shall be accomplished through the development of highly qualified scientists with specialization in international development. The Committee recognizes the need for scientists, trained to the needs of these countries and has authorized the Secretary to work with U.S. colleges and universities in establishing a curriculum for this type of training.

Studies

The requirement that the Secretary conduct studies of weather and water allocation, organic farming, and agricultural research facilities, respectively is repealed. The studies have been completed and submitted to the Congress.

Authorization for appropriations for certain agricultural research programs

The 1977 Act is amended to extend the authorization for appropriations for agricultural research programs, with certain exceptions, at the current level of $890 million for each of the fiscal years 1986 through 1989. The fiscal year 1985 appropriation for agricultural research programs is about $489 million. The Committee believes that a simple extension of the current authorization of $890 million will adequately reflect any potential needs for this program in the next 4 years.

Authorization for appropriations for agricultural research at State agricultural experiment stations under the Hatch Act of 1887 is extended at the level of $300 million for each of the fiscal years 1986 through 1989. The fiscal year 1985 appropriation stands at about $156 million while the authorization is $250 million. The Committee is concerned that the present authorization ceiling may provide some unnecessary constraints upon the appropriation for the Hatch Act. An authorization increase to $300 million should reflect any future needs for this program.

Authorization for appropriations for extension education

The Committee voted to authorize appropriations of $380 million for each of the fiscal years 1986 through 1989 for extension and related programs administered by or funded through the Extension Service. The current appropriation for extension and related activities stands at $343.7 million. The Committee feels the funding will adequately serve the needs of this program over the coming 4 years.

Contracts, grants, and cooperative agreements

The 1977 Act is amended to authorize the Secretary to use a cooperative agreement as the legal instrument reflecting a relationship between the Secretary and a State cooperative institution, State department of agriculture, college, university, other research or educational institution or organization, Federal or private agency or organization, individual, or any other party, if the Secretary determines that (A) the agreement will further an objective of each of the parties to the agreement in an agricultural research, extension, or teaching activity, including statistical reporting and (B) all such parties will contribute resources to the accomplishment of such objective. This provision reflects the Committee's belief in the cooperation among the various public and private agencies and organizations that conduct or assist in the conduct of research, extension or teaching programs in the food and agricultural system of the United States. Further, it represents the Committee's view that true partnership relationships, which historically have contributed so much to the food and agricultural sciences, are discouraged or otherwise impeded when determinations must be made which result in the documentations of such relationships by either procurement contracts or assistance instruments. A relationship established for the purpose of jointly pursuing a common objective should not be labeled as either primarily acquisition or assistance because all parties involved in such arrangements contribute resources to a joint effort and all parties benefit. The bill also authorizes a Federal agency, notwithstanding any other provision of law, to participate in such a cooperative agreement by contributing funds through the appropriate agency of the Department of Agriculture or otherwise.

Indirect costs

The prohibition on the use of funds for the reimbursement of indirect costs would not apply to funds for international agricultural programs conducted by a State cooperative institution and administered by the Secretary or to funds provided by a Federal agency for such cooperative program or project through a fund transfer, advance or reimbursement. In addition, the Secretary is required to limit the amount of reimbursement for indirect costs to an amount necessary to carry out the program or agreement.

Special Technology Development Research Program

The bill provides for a new program under which the Secretary may enter into a cooperative agreement with a private agency, organization, or individual to share the cost of a research project, or to allow the use of a Federal facility or service on a cost-sharing or cost reimbursable basis, to develop new agricultural technology to further a research program of the Secretary.

Beginning in fiscal year 1986 and extending through fiscal year 1989, not more than $3 million of the funds appropriated to the Agricultural Research Service of the Department of Agriculture for each fiscal year may be used to carry out the program. To be eligible to receive a contribution under the program, recipients must contribute matching funds from non-Fedeal sources in an amount equal to at least 50 percent of the Federal contribution under the program. Funds received by the Secretary under the program should be deposited in a separate account or accounts, to be available until expended. Such funds could be used to pay directly the costs of such research programs and to repay or make advances to appropriations or other funds which do or will initially bear all or part of such costs. The Secretary may contribute no more than $50,000 of funds or in kind assistance for a particular research project in any fiscal year or a total amount of $150,000 for any particular research project.

The Committee believes that advancements in research and technology must be the cornerstone of our effort to remain competitive in today's markets. While the Committee favors a strong Federal commitment to agricultural research, this commitment will always be limited by our budget deficit constraints. The Committee has authorized this cooperative program as a means of encouraging greater funding from private, non-Federal sources.

Aquaculture

The requirement that the Secretary submit an annual report to the President and certain congressional committees on the progress of the Department of Agriculture in meeting the purposes of the aquaculture assistance programs has been deleted. The aquaculture program has never been funded in the appropriations process and the Committee believes that an annual reporting requirement is unnecessary under these circumstances.

The authority for an Aquaculture Advisory Board has been deleted. The Committee does not advocate the establishment of an advisory committee for a program that has never been funded. The Committee recommends deletion of the authority for an advisory committee.

The authorization for appropriations for aquaculture assistance programs is extended at the current level of $7.5 million for each of the fiscal years 1986 through 1989. The requirement that the Secretary consult with the Aquaculture Advisory Board in developing plans for use of the funds is deleted. For fiscal year 1985 this program did not receive any appropriated funds. The Committee believes that a simple extension of the $7.5 million authorization ceiling is adequate to reflect any potential funding in the future.

Rangeland research

The bill extends the term of the Rangeland Research Advisory Board through September 30, 1989. The Committee recommends this extension of the Board in order to provide advice to the Secretary in carrying out the rangeland research program.

The authorization of appropriations for rangeland research is extended at the current level of $10 million for each of the fiscal years 1986 through 1989. The fiscal year 1985 appropriation for rangeland research stands at $500,000. The Committee believes that a $10 million authorization ceiling will adequately reflect any potential funding needs in the next 6 years.

Grants to upgrade 1890 Land-Grant College research facilities

The Agriculture and Food Act of 1981 is amended to specify that grants made under ths section to assist 1890 land-grant colleges in the acquisition and improvement of research facilities may be used for the acquisition and improvement of agricultural libraries.

The authorization for appropriations for such grants is extended at the current level of $10 million for each of the fiscal year 1986 through 1989. The 1981 farm bill authorized a $10 million per year grant program to upgrade 1980 land-grant colleges research facilities. The grants program was to last for 5 years for a total of $50 million. Funds were not appropriated for the program until fiscal year 1983. The extended authorization period reflects the need to complete this 5-year program.

Soybean Research Advisory Institute

The bill deletes authority for a temporary Soybean Research Advisory institute which was established to assess and make a comprehensive report on research and on soybean production and utilization. The report has been made.

Research for expanded sales of United States agricultural products in foreign markets

The Secretary is required to increase and intensify research programs conducted by or for the Department of Agriculture that are directed at developing technology to overcome barriers to expanded sales of U.S. agricultural commodities and the products thereof in foreign markets, including research programs for the development of procedures to meet plant quarantine requirements and improvement in the transportation and handling of perishable agricultural commodities. U.S. farmers and exporters have suffered greatly as a result of unfair export subsidies and restrictive trade barriers. The Committee believes very strongly that a portion of our agricultural research efforts should be aimed at developing technology to overcome these trade barrriers in order to increase U.S. farm exports and in order to reduce our trade imbalance with other nations.

Subtitle B—Agricultural Productivity Research

Purposes

The purpose of the subtitle is to facilitate and promote scientific investigation in order to enhance agricultural productivity, maintain the productivity of land, reduce soil erosion and loss of water and plant nutrients, and conserve energy and natural resources and to facilitate the conduct of research projects in order to study agricultural production systems that (A) are located, to the extent practicable, in areas possessing various soil, climatic, and physical characteristics, (B) have been and will continue to be managed using farm production practices that rely on items purchased for the production of an agricultural commodity and a variety of conservation practices, and (C) are subjected to a change from the practices described to other practices described.

Information study

The Secretary is required to inventory and classify by subject matter all studies, reports, and other materials developed by any person or governmental agency, with the participation or financial assistance of the Secretary, that could be used to promote the purposes of this subtitle.

The Secretary is required to identify, assess, and classify exising information and research reports which would further the purposes of this subtitle, including information and research relating to legume-crop rotation, the use of green manure, animal manures, and municipal wastes in agricultural production, soil acidity, liming in relation to nutrient release, intercropping, the role of organic matter in soil productivity and erosion control, the effect of topsoil loss on soil productivity, and biological methods of weed, diseases, and insect control; identify which of such reports provide useful information and make such useful reports available to farmers and ranchers; and identify gaps in such information and carry out a research program to fill such gaps.

Research projects

The Secretary is required in cooperation with Federal and State research agencies and agricultural producers to conduct such research projects as are needed to obtain data, draw conclusions, and demonstrate technologies necessary to promote the purposes of this subtitle.

The Secretary is required to carry out research projects to conduct projects and studies in areas that are broadly representative of U.S. agricultural production including production on small farms.

The Secretary is authorized to conduct research projects involving crops, soils, production methods, and weed, insect and disease pests on individual fields or other areas of land.

The Secretary, in the case of a research project which involves the planting of a sequence of crops, is required to conduct such project for a term of at least 5 years, and, to the extent practicable, 12 to 15 years.

The Secretary is authorized in coordination with the Extension Service and State cooperative extension services, to take such steps as are necessary to ensure that farmers and ranchers are aware of projects conducted under this subtitle. The Secretary is also required to ensure that such projects are open for public observation at specified times.

The bill authorizes the Secretary to indemnify an operator of a project conducted under this section for damage incurred or undue losses sustained as a result of a rigid requirement of research or demonstration under such project that is not experienced in normal farming operations. Any such indemnity payment would be subject to any agreement between a project grantee and operator entered into prior to the initiation of such project.

Coordination

The Secretary is required to establish a panel of experts consisting of representatives of the Agricultural Research Service, Cooperative State Research Service, Soil Conservation Service, Extension Service, State cooperative extension services, State agricultural experiment stations, and other specialists in agricultural research and technology transfer; and to ensure that a research project under this subtitle is designed after taking into consideration the views of the panel.

Reports

The Secretary is required to submit a report to the Senate and House agricultural committees (1) within 180 days after the effective date of this subtitle describing the design of research projects and (2) within 15 months after the effective date of this subtitle describing the results of the program and (3) not later than April 1, 1987 and each April 1 in 1988, and 1989 describing the progress of projects conducted under this subtitle including a summary and analysis of data collected under such projects and recommendations based on such data for new basic or applied research.

Agreements

The Secretary is authorized to carry out the information study and the research projects through agreements with land-grant colleges or universities, other universities, nonprofit organizations, or Federal or State governmental entities, that have demonstrated appropriate expertise in agricultural research and technology transfer.

Dissemination of data

The Secretary is required to make available through the Extension Service and State cooperative extension services the information and research reports, and the information and conclusions resulting from any research project and otherwise take such steps as are necessary to ensure that such material is made available to the public.

Authorization for appropriations

This section authorizes the appropriation of such sums as may be necessary to carry out this subtitle and provides that such sums are to remain available until expended.

Effective date

The effective date of this subtitle is October 1, 1985.

The Committee has debated the Agricultural Productivity Act at some length and hearings were held last year to review this legislation. The Committee believes that the provisions contained in this legislation adequately achieve the same purpose as the original draft of the Agricultural Productivity Act without redirecting present research funds and priorities. The Committee recognizes the need for research to reduce the farmer's cost of production in order that he or she can realize a profit with lower market prices. The research projects on alternative farming methods is an important part of this overall effort to reduce production costs.

Subtitle C—Human Nutrition Research

Background

The Secretary is required to submit a comprehensive plan for implementing a national food and human nutrition research program, including recommendations relating to research directions, educational activities, and funding levels necessary to carry out such plan to the appropriate congressional committees within one year after the date of enactment of this Act.

The Secretary, within 1 year after the date of submission of the plan and each year thereafter, is required to submit to such committees an annual report on the human nutrition research activities conducted by the Secretary.

Dietary calcium

The Secretary is required to conduct an assessment of all existing research and literature available concerning dietary calcium and its importance as a nutrient. The assessment would summarize and evaluate all existing literature on dietary calcium. In carrying out the assessment, the Secretary is required to consult with all Federal agencies involved in dietary calcium research.

The Secretary is required to develop a protocol for a study to determine the importance of dietary calcium in human development and health promotion. The study would include, at a minimum, a comprehensive investigation of the role of calcium in bone health, maintenance of skeletal integrity, and regulation of hypertension. The study would be conducted under the supervision and coordination of the Secretary. In developing the protocol for such study, the Secretary is required to request such assistance from other government agencies and private sector organizations as the Secretary considers appropriate.

The Secretary, not later than 1 year after the date of enactment of the bill, is required to submit a report to the Senate and House agriculture committees on the findings of the Secretary. The report would include a final report on the assessment of existing research and literature, a detailed protocol and plan for implementation of the study, and a budget estimate and timetable for the conduct and completion of the study.

Dietary and blood cholesterol

The Secretary is required to conduct an assessment of all existing scientific literature regarding the relationship, if any, between dietary cholesterol and blood cholesterol. The assessment would summarize and evaluate all existing literature on dietary and blood cholesterol. In conducting the assessment, the Secretary is required to consult with all Federal agencies that are involved in dietary and blood cholesterol research.

The Secretary is required to develop a protocol and feasibility assessment for a study on the relationship between dietary and blood cholesterol which would be conducted under the supervision and coordination of the Secretary. In developing a protocol and feasibility assessment for such study, the Secretary is required to request such assistance from other government agencies as the Secretary considers appropriate.

The Secretary, not later than 1 year after the date of enactment of this bill, is required to submit a report to the Senate and House agriculture committees on the findings of the Secretary. The report would include a final report on the assessment of existing research and literature, a detailed protocol and plan for implementation of the study, and a budget estimate and timetable for the conduct and completion of such study.

The Committee has voted to include the Human Nutrition Research provision as a direct result of complaints by producers and producer organizations over the conflicting data being generated on nutrition and other health related matters. The Committee recognizes that much of this data has had an adverse impact upon the farmers of this country. For example, per capita consumption of red meats has steadily declined from 198 pounds in 1969 to 176 pounds in 1984. Per capita consumption of eggs has dropped from 310 eggs per year in 1969 to less than 261 in 1984. Per capita consumption of fluid milk has dropped from 272 pounds per year in 1969 to less than 215 pounds in 1984. Each of these statistics adds up to less demand for farm products and lower prices for farmers.

While the Committee does not question the validity of any research studies thus far, it believes that a coordinated nutrition research program will clear the record of any misunderstandings thus far and enable the farm community to plan accordingly for the future based upon the results of these efforts.

TITLE XVI—CONSERVATION

PURPOSE AND NEED

Highly erodible land conservation

The purpose of the highly erodible land conservation subtitle in the Committee bill is to discourage new cultivation of fragile lands that are unsuitable for intensive agricultural production without the application of proper conservation practices. This purpose will be met by limiting an agricultural producer's access to various price support, production adjustment, Federal crop insurance, agricultural lending and support programs carried out by the Federal Government.

Under current law, an agricultural producer may participate in numerous Federal agricultural programs, regardless of the suitability of the land used for the production of agricultural commodities. This policy is inappropriate in light of the increasingly serious soil erosion problem in the United States.

In the Great Plains region of the United States, agricultural producers, many benefiting from federally sponsored programs, have been bringing marginal grasslands into cultivation. These lands have a very thin layer of topsoil. When this grassland is broken with a plow, the topsoil becomes vulnerable to wind and water erosion. After several years of intensive cultivation, the land is often eroded to the point of being barren. The lost topsoil takes many years to replace.

The Soil Conservation Service of the Department of Agriculture estimates that the average rate of erosion for all cultivated cropland in the United States is five tons per acre per year. This rate of erosion is generally recognized as an acceptable rate of erosion. However, the average rate of erosion on the highly erodible land being brought into cultivation in the West ranges from 10 tons per acre per year to 30 tons per acre per year. The Committee believes that the Federal Government should not encourage, directly or indirectly, crop production on marginal lands not presently being cultivated, unless the production is carried out under a conservation plan that reduces soil erosion to acceptable levels.

The Committee bill defines highly erodible land as those lands classified as capability classes IIIe, IVe, VI, VII, or VIII, according to the land capability classification contained in Agriculture Handbook No. 210, published by the Soil Conservation Service of the Department of Agriculture. The land capability classification is composed of systems for grouping soils into capability classes.

The decision to classify land in a particular capability grouping is made by a field soil scientist. The criteria used to differentiate between land capability classes are soil types (arid, semiarid, stoney, wet, saline or overflow soils), climatic limitations, wetness limitations, toxic salts, and the steepness, length, and shape of the slope of the land. Once a field soil scientist has made a determination using these criteria, soil scientists at State and national technical centers of the Soil Conservation Service review the classification to ensure that soil classifications are coordinated with and among States.

At the current time, the Department of Agriculture reports that over 80 percent of the Nation's crop lands have been surveyed and classified according to the land capability classification system.

The Soil Conservation Service estimates that approximately 710 million uncultivated acres, generally grassland or forest land, are classified in classes IIIe, IVe, VI, VII and VIII. These acres are located throughout the United States. However, the Northern Plains, Southern Plains, Mountain, and Pacific regions contain relatively more acres of these classes of land than the rest of the country.

Of the 710 million acres classified as IIIe, IVe, VI, VII and VIII, the Soil Conservation Service estimates that approximately 70 million acres have high or medium potential for conversion from grassland or forest land to cropland. These lands have soils with physical, chemical, and climatic characteristics that are generally unsuitable for cultivation, but could be cropped with proper management.

The remaining 640 million acres of class IIIe, IVe, VI, VII and VIII land in grass or forest are considered by the Soil Conservation Service to have a low, and in some cases nearly zero, potential for conversion to cropland.

Land classified as VII or VIII has such severe physical or climatic limitations that conversion to cropland is unlikely in any significant amount. These types of land are properly included in this amendment because these lands are not suited for conversion to cropland.

National data on the rate of conversion of grasslands to cropland are not available. However, the Soil Conservation Service has been monitoring this conversion in the States of South Dakota and Colorado. In South Dakota, during the 8 years from 1974 through 1982, the Soil Conservation estimates that over 600,000 acres of highly-erodible land were converted from grassland to cropland. In Colorado, the Soil Conservation Service estimates that approximately 500,000 acres of such land were plowed up from the spring of 1979 to the spring of 1982.

These provisions have been put into the bill because of the widespread belief that it is not appropriate governmental policy to encourage the cultivation of marginal lands, particularly at a time when crop surpluses are on the rise. Indeed, cultivation of such lands has been characterized by its critics as the beginning of a new dust bowl. Though these provisions are not intended to restrict or limit a person's right to use property in any way. They have been included because of the belief that Federal farm and agricultural loan programs should not be made available to persons who cultivate marginal lands without applying adequate conservation practices. Under the current system, the taxpayers have been paying twice; once for farm support programs and again for the costs of soil erosion. The purpose of these provisions is to get the Federal Government out of the business of encouraging the cultivation of highly erodible land and the production of additional crops that are already in excess supply.

The highly erodible land conservation provisions will discourage the cultivation of highly erodible land by denying an agricultural producer's access to price support, income assistance, production adjustment, disaster payment, Federal crop insurance, and agricultural loan programs carried out by the Federal Government. If an agricultural producer brings highly erodible land into cultivation, that person will not be eligible for the Federal farm and agricultural loan programs, including payments for the storage of commodities owned by the Commodity Credit Corporation. The amendment emphasizes that this restriction in no way prohibits the production of any commodity on any land. The sole purpose of the provision is to discourage the cultivation of highly erodible lands and avoid production from lands that would be cultivated solely to increase the producer's share of Federal payments.

The provisions will not affect a producer's participation in Federal farm programs and agricultural loan programs, even if erosion prone land is being cultivated, in several circumstances.

If land classified as capability class IIIe, IVe, VI, VII, or VIII has been cultivated to produce an agricultural commodity in any crop year from 1981 through 1985, it is exempted from the restrictions in the bill. The provisions will affect only those highly erodible acres that have not been cultivated during any of the past 5 years.

Since the underlying purpose of these provisions is to prevent soil erosion, they do not apply to any crop of an agricultural commodity that is produced on highly erodible land using a conservation system that has been approved by a soil conservation district. Decisions approving or disapproving acceptable conservation systems will be made by local soil conservation districts.

The Committee bill includes a provision requiring the Secretary of Agriculture to develop procedures for responding to appeals which may be made with respect to the capability class of land.

A provision has also been included that authorizes the Secretary to determine, as outlined by regulations, the "predominant" land capability class of a particular field. It is not the intent that the cultivation of a piece of land that includes only a small portion of class IIIe, IVe, VI, VII, or VIII land be restricted under the bill. The Committee expects the Secretary to use judgement in this matter so that small, insignificant areas of highly erodible land do not cause an entire field to be classed as highly erodible land. The bill's definition of field, however, limits the landowner's ability to modify the boundaries of a field in order to alter the "predominant" land capability class. The record also points out that the use of the term "predominant" does not necessarily mean "more than half" for purposes of the bill.

Conservation compliance

The Committee bill provides that the Secretary must require, as a condition of eligibility for price support loans, purchases, and payments for corn, wheat, cotton, and rice that any person producing an agricultural commodity on highly erodible land use conservation practices appropriate for that land. The suitability of the conservation practices will be determined by the local conservation district, or, if the land is not located in such a district, by the county Agricultural Stabilization and Conservation committee.

This provision of the Committee bill would not be applicable until the beginning of crop year 1988, or 2 years after the land is mapped for classification purposes. The reason for delaying implementation is to give tenants and landlords time to work out fair and equitable arrangements regarding who would be responsible for the various costs associated with using appropriate conservation activities. The U.S. Department of Agriculture also suggested that delaying implementation of conservation compliance would give it more time to work through the appropriate administrative requirements of determining and classifying the highly erodible lands.

While the Soil Conservation Service estimates that over 80 percent of U.S. cropland has been mapped for the purposes of classifying such land under the land classification system, some concerns have been expressed over implementing the conservation compliance provisions prior to the completion of the soil mapping for that particular land.

For this reason, this provision would not take effect on those acres that have not been mapped until 2 years after the completion of such mapping by the Soil Conservation Service.

The conservation compliance provision will provide a strong incentive for a more cost effective conservation acreage reserve program. Without conservation compliance, the landowner's bid for entering the conservation acreage reserve will be weighed against the price support benefits that the highly erodible land would otherwise generate. The end result is likely to be a more costly conservation acreage reserve program.

The Secretary is required, as soon as practicable, to complete the soil surveys on all privately held lands that do not have a soil survey for use in determining the land capability classification.

Dry land farming

The bill amends the Soil Conservation and Domestic Allotment Act to include the promotion of dry land farming in the conservation objections contained in section 7 of that Act. The Committee is concerned with the vast expansion of irrigated cropland recently and the impact this expansion has had upon available water supplies and surplus crop production. Greater emphasis upon dryland farming techniques will help to protect and conserve the future fresh water supplies for our industries and the general public.

Wetland conservation

The purpose of the wetland conservation subtitle of the Committee bill is to discourage the draining and cultivation of wetland that is unsuitable for agricultural production in its natural state. This purpose will be realized by limiting an agricultural producer's access to various price support, production adjustment, Federal crop insurance, Federal disaster loans and payments, and various other programs carried out by the Federal Government if the producer drains and plants crops on a natural wetland.

It is intended that these provisions not be construed, nor implemented in any way to regulate the use of private or non-Federal land, or in any way affect the property rights of the owners of such lands. The Committee intends to continue the policy expressed in the statement of limitations in the Farmland Protection Policy Act, Subtitle I, Public Law 97-98 (December 22, 1981).

The defination of the term hydric soils, as used in this bill, is consistent with the definitions developed by the National Technical Committee for Hydric Soils. The hydric soils list that is referred to in the bill was developed by the Secretary of Agriculture and contains soils that are sufficiently wet under undrained conditions to support the growth and regeneration of hydrophytic vegetation. The list includes hydric soils that are either drained or undrained; therefore, not all areas of hydric soils support hydrophytic vegetation. Such drained areas are no longer wetland, although the soil is still classifed as hydric.

The Committee does not intend that a person producing an agricultural commodity on wetlands be ineligible for participation in certain farm programs, if production is possible as a result of natural conditions and if actions of the producer do not destroy the wetland characteristics. Example of this natural condition include areas of the prairie pothole region where production of an agricultural commodity in such potholds is feasible and practicable during dry years, without destroying the wetland characteristics. During the wetter years, these potholes will exhibit true wetland characteristics and will again provide valuable wetland functions.

The provisions also allow a producer to produce agricultural commodities on lands resulting from the conversion of artifical wetland that was itself created from nonwetland for, among other purposes stockwater, fish farming, irrigation, and flood control, and still maintain eligibility for farm programs.

For example, it is intended that a producer be allowed to maintain eligibility for farm program benefits when an agricultural commodity is produced on converted wetlands that was orginally made into wetland by surface or subsurface irrigation or irrigation systems. This includes among others: (1) the production of an agricultural commodity on a converted wetland, created as a result of seepage from an irrigation canal or ditch, which has lost its wetland characteristics because of water conservation practices; and (2) the production of sugarcane on areas that had been reflooded with irrigation water to create wetland as part of a crop rotation system.

It is also the Committee's intent that a person continue to be eligible for farm program benefits if the person produces an agricultural commodity on converted wetland, where the impact of such conversion on wetland functional values would be diminutive. In determining functional values of wetland, it is intended that the Secretary consider such items as the value of the wetland for wildlife habitat, pollution control, flood control and groundwater recharge; location of the affected wetland relative to other wetland; and water depth, water permanency and other wetland quality factors.

In carrying out this program, the Secretary must consult with the Secretary of the Interior on the identification of wetland, the determination of exemptions, and the issuance of regulations. The Secretary of Agriculture is required to implement regulations to carry out this section within 180 days of the date of enactment of the bill.

Conservation acreage reserve

The purpose of the conservation acreage reserve subtitle is to reduce wind and water erosion on marginal croplands that are eroding at excessive rates. This purpose will be met by establishing a 25 to 30 million acre conservation reserve that will convert erosion-proned croplands to less intensive uses. The authority for the conservation reserve begins in fiscal year 1986 and runs through fiscal year 1990.

The provision regarding the conservation of highly erodible lands do not apply to lands that have been cultivated in 1981 through 1985.

The 1982 National Resources Inventory estimated that nearly fifty percent of the sheet & rill erosion in the United States occurs on only ten percent of our crop acres. At a time when crop surplusses are mounting in Government warehouses, these erosion prone lands simply should not be in production. A study by the Soil Conservation Service estimates that the conservation reserve will reduce wind and water erosion on these acres by an average of nearly 20 tons per acre per year.

The Committee bill defines erosion-prone land as those lands classified as capability classes IVe, VI, VII or VIII. In determining eligibility for the conservation acreage reserve, the Secretary may take into consideration factors of the universal soil loss equation and wind erosion equations. Erosion-prone cropland is considered eligible for the conservation acreage reserve if the land has been, or is considered to have been, devoted to the production of an agricultural commodity during at least 2 of the last 3 consecutive crop years prior to January 1, 1986.

Landowners desiring to place land in the conservation acreage reserve must agree to put the eligible acreage to less intensive uses, such as pasture, permanent grass, legumes, or trees, for a contract period of no less than 7 years and no more than 15 years. This provision is designed to give the Secretary of Agriculture some flexibility to stagger the contract period in order to prevent large amounts of land, upon expiration of the contract period, coming back into production over a short period of time.

In exchange for the landowner agreeing to devote the conservation acreage to less intensive uses, the Secretary must agree to pay an annual fee in an amount sufficient to compensate the conversion of erosion-prone cropland to a less intensive use and the retirement of any cropland base and allotment history. The fee would be paid for a period of years, but could not exceed the duration of the contract period.

The Secretary is authorized to determine annual rental payments through the submission of bids or such other means as the Secretary deems appropriate and cost effective. This particular provision reflects testimony which suggested that the competitive bid system is the most cost-effective means of identifying our least productive and most erosion prone acreage, while at the same time minimizing cost to the U.S. Treasury.

In addition to the annual payment, the Secretary is required to carry out a cost-sharing program to assist landowners with the installation and maintenance of conservation plantings and practices.

Annual rental payments may be made in cash or in kind. This provision makes special note of the problems associated with "in-kind" payment. In-kind payment must not displace the usual marketings of the commodities and must enable the owner or operator to take efficient and expeditious possession of the commodity. Rental payment made under the conservation program, whether in-kind or in-cash, cannot exceed $50,000 annually. Any payments received for cost-sharing activities are excluded from the payment limit. Rental payments are not counted against the payment limit applicable to deficiency payments.

This program recognizes the value of reforestation and the establishment of shelterbelts that are necessary for effective wind erosion control. The Committee bill requires that, to the extent practicable, at least 10 percent of the conservation acreage must be devoted to shelterbelts in areas prone to wind erosion, but the landowner may not devote more acres to shelterbelts than can be used for effective wind erosion control. The Secretary is also required to allocate a portion of the funds available to carry out this program to landowners who agree to plant trees on erosion-prone cropland.

The Committee believes the private sector commercial nurseries of this country have the capacity and the qualifications to provide the trees, seedlings and cuttings necessary to meet the demand which will be created by the conservation program established by this title. It is the desire of the Committee that efforts be made by the Department to promote and encourage the acquisition of trees, seedlings and cuttings, as needed, from commercial growers for the purposes of this program. The Committee believes this will ensure the most efficient use of the taxpayer's dollar and promote job creation and small business growth, thereby achieving a substantial positive gain for our economy, as well as furthering the goals of conservation.

During the markup of the conservation title, members of the Committee expressed concern over the possibility of some person would acquire land solely for the purpose of placing the land in the conservation reserve. The Committee intends that land be ineligible for the conservation acreage reserve if there has been an ownership change in such land in the preceding three years. The Committee believes that there are exceptions to this general rule and that land excludable under the general rule could be placed in the conservation acreage reserve if (1) the new ownership was acquired by will or succession; (2) the new ownership was acquired prior to January 1, 1985; or (3) the Secretary of Agriculture determines that the land was not acquired for the purpose of placing it in the conservation acreage reserve program.

The Committee received much testimony from witnesses who were concerned about the adverse economic impact to fertilizer and implement dealers that might occur if participation in the conservation acreage reserve was particularly large in localized regions. The Committee bill includes a provision to require the Secretary to limit the total acreage placed under contract in any State, country, or local areas so as to not adversely affect local economies.

The Committee bill also recognizes the difficulty of establishing a long-term program when future land and production needs are virtually unpredictable. to meet this problem, the Secretary has authority to terminate the entire conservation reserve program and all outstanding contracts if the Secretary determines that such termination is in the public's interest. The Secretary would be required to provide the House and Senate Agriculture Committees with at least 90 days notice prior to terminating the program, however.

In addition, the Secretary may terminate or modify an individual contract if the owner or operator agrees to such a change. The House and Senate agriculture committees would not have to be notified in these instances.

If the owner or operator transfers his interest in land under a conservation contract, the new owner or operator may (1) choose to continue the original contract under the same terms and conditions; (2) enter into a new contract with the opportunity for a higher rental payment; or (3) not participate in the program. Upon the transfer, the owner or operator must forfeit all rights to conservation and rental payments and to refund all such payment, with interest, unless the transferee agrees to assume all obligations of the contract or enters into a new contract with the Secretary.

During the consideration of the conservation title, the Committee engaged in considerable debate over whether or not haying and grazing would be permitted on the conservation reserve acreage. The Committee received numerous comments from cattle producers who feared that haying and grazing authority could result in increased cattle production. The Committee bill prohibits haying and grazing unless it is expressly permitted in the contract. This decision will be made on a contract-by-contract basis. In addition, the Committee directs the Secretary to permit haying and grazing of conservation reserve acreage only under circumstances that would not adversely affect the beef cattle industry. Haying and grazing will be authorized only during a natural disaster or in other special circumstances that would not adversely affect cattle production.

The Committee bill also requires the Secretary of Agriculture to provide safeguards to protect the interests of tenants and sharecroppers, including provisions for sharing rental payments on a fair and equitable basis. This amendment addresses the concern by tenant farmers who fear that landlords might attempt to put land into the conservation acreage reserve and not share the rental payments with prior tenants. The intent of this provision is to ensure that payments are divided on a basis that reflects rental and lease arrangements in effect at the time of the establishment of the conservation acreage reserve.

The Committee bill also includes provisions stating that any acreage covered by the conservation acreage reserve contract must be excluded from the acreage base of the owner or operator. Farmers and landowners simply cannot be allowed to receive rental payments to retire erosion-prone acreage and at same time receive price support benefits that have not been correspondingly adjusted to reflect a smaller crop base.

The conservation acreage reserve is the foundation of all future agricultural and conservation policy, given that erosion rates on some croplands are exceeding 30 tons per acre per year. It is important to move quickly toward devoting this acreage to less intensive uses. The Committee bill requires the Secretary to enter into conservation contracts for at least 10 million acres during the 1986 crop year and an additional 10 million acres during crop year 1987.

In addition, the Secretary is required to issue rules and regulations to carry out this program within 180 days of the date of enactment of the bill.

The bill authorizes the Secretary to carry out the conservation acreage reserve program through the Commodity Credit Corporation (CCC) in fiscal years 1986 and 1987. In fiscal year 1988 and subsequent years, the Secretary may use the facilities, services, and funds of the CCC to carry out this program, except that the Secretary may not use CCC funds for such purposes unless the CCC has received such funds from appropriations made to carry out the conservation acreage reserve program. This provision recognizes the difficulty in predicting in advance the Treasury outlays necessary to carry out this program in the initial 2 years. For this reason the program operates for the first 2 years using the borrowing authority of the Commodity Credit Corporation. In subsequent years, however, it is important that the conservation acreage reserve be funded and reviewed under the established procedures of the appropriations process.

Conservation easements

This provision authorizes the Secretary of Agriculture to acquire and retain easements in wetland or highly erodible land for the purposes of conservation, recreation, and wildlife uses for periods of at least 50 years.

Land eligible for this program must have been used as security for a Farmers Home Administration loan that the borrower is or was unable to repay. Eligible land must also have been row cropped in each of the 3 years prior to enactment of the bill.

In return for the producer's agreement, the Secretary would be required to pay part of cost of establishing and maintaining a vegetative cover and other conservation expenses. In addition, the producer would be eligible for an annual rental payment. Any easement acquired must be paid for by cancelling that portion of the seller's FmHA indebtedness which bears the same ratio to the seller's total FmHA indebtedness as the number of acres of property subject to the easement bears to the aggregate number of acres securing the total FmHA indebtedness. The program will not apply to FmHA loans made after the date of enactment of the bill.

The program is intended to complement the conservation acreage reserve program. While the conservation acreage reserve program is not targeted to a select group of farm borrowers, it is useful to have the authority for a program that targets payments to some of our most hard pressed farmers.

The easement program is intended to give the Secretary another tool to work with farmers who are unable to meet their financial obligations to the Farmers Home Administration, while at the same time helping to preserve wetlands and reduce erosion on highly erodible crop land.

Soil and water resources conservation

Section 1644 of the Committee bill amends the Soil and Water Resource Conservation Act of 1977 to extend the requirement for the Soil Conservation Service to conduct a resource conservation appraisal. The 1980 appraisal has been the motivating force behind what is likely to be the strongest conservation title ever to be included in a farm bill. The provision recognizes the importance of these ongoing appraisals.

The most recent appraisal is scheduled for release later this year. This amendment requires another appraisal not later than December 31, 1994 and December 31, 2004. The current authority required an appraisal every 5 years, to the extent practicable.

It is important that we continue to update these appraisals in order to better evaluate the successes and failures of our renewed conservation efforts. At the same time, it must be recognized that the Soil Conservation Service does not have unlimited resources to sustain frequent appraisals. It is believed that an updated study every 10 years in lieu of an entirely new appraisal, adequately addresses both of these concerns.

The bill contains sense of the Congress language which recognizes the vital role the Soil Conservation Service plays in addressing the soil and water problems which confront the United States. The Committee believes that adequate support and funding should be continued to enable the Soil Conservation Service to carry out its necessary programs.

TITLE XVII—AGRICULTURAL CREDIT

BACKGROUND

Introduction

Like many other Federal agencies, the Farmers Home Administration (FmHA) of the U.S. Department of Agriculture was originally created to meet the needs of a particular time—the lingering economic depression in the farm sector during the 1930's. The agency's programs have been greatly expanded and revised as conditions have changed over its 50-year history.

Steadily worsening farm financial conditions between 1980 and 1985 have coincided with the need to reduce Federal expenditures. For FmHA's two most popular programs combined—the farm ownership and farm operating loan programs—the total amount loaned has risen from $1.9 billion in fiscal year 1980 to over $5 billion in fiscal year 1984. As a result of this and other factors, there has been renewed interest in reevaluating FmHA's role as the lender of last resort for American farmers.

Legislative history

The Farmers Home Administration had its beginnings in the Resettlement Administration, a rural rehabilitation agency established by Executive Order in 1935. This independent agency was created to advance short-term loans to low-income tenant farmers who did not qualify for credit from other lenders. These loans provided operating capital and were supervised loans. Each was based on a farm and home management plan worked out in cooperation with the borrowing family. The plans were designed to make the farms eventually self-supporting.

In January 1937, the Resettlement Administration was transferred to the USDA. Later that year, Congress passed the Bankhead-Jones Farm Tenant Act to expand the Resettlement Administration's farm lending programs. This Act authorized the Resettlement Administration, shortly thereafter renamed the Farm Security Administration (FSA), to make available supervised farm ownership loans with 40-year terms to tenant farmers who lacked other credit sources. These loans enabled tenant farmers to purchase their own land and improve their farms and homes. This was the beginning of the farm ownership loan program administered by FmHA.

Also in 1937, Congress enacted the Water Facilities Act. Under this Act, the Resettlement Administration, the USDA Soil Conservation Service and the Bureau of Agricultural Economics shared responsibility for providing loans for the development of water systems in the arid West. Thus began FmHA's role in administering rural water programs.

In 1946, Congress reorganized the Farm Security Administration under the Farmers Home Administration Act. This action reflected the consensus that some farm labor and cooperative farming programs of the old Resettlement Administration should be abolished, and that there were post-war credit needs to be met. The Act authorized the new FmHA to insure loans made by commercial banks, other agencies, and private individuals, and to make direct loans using Government funds. The rural rehabilitation loan program of the Resettlement and Farm Security Administration was ended, but the supervised farm ownership loans of the FSA continued. In addition, the new agency assumed responsibility for an emergency crop and feed loan program that had been implemented in 1933 through the Production Credit Associations of the Farm Credit System. The latter program was designed to make short-term loans for feed, seed, and fertilizer to farmers in designated hardship areas. This was the beginning of FmHA's emergency disaster loan program.

From 1949 to 1984, more than 20 pieces of legislation have expanded and redefined FmHA services. The following paragraphs briefly describe the programs that are the subject of the credit provisions in the Committee bill.

The Disaster Loan Act of 1949 initiated the special emergency farm loan program to assist farmers in recovering from production losses and physical damage due to natural disasters such as drought, hail, floods and tornados.

The Consolidated Farmers, Home Administration Act of 1961 greatly expanded and revised the agency's authorities. The main provision raised the ceilings on farm ownership and farm operating loans; these limits have since been raised a number of times. Subsequent amendments to this Act further expanded these programs by authorizing loans to family farm members to establish farm-based recreational and other nonagricultural enterprises to supplement family income, and by making loans available to associations whose membership includes members and ranchers.

The Rural Development Act of 1972 gave the Department of Agriculture primary responsibility for Federal rural development activities. The Act authorized FmHA to make direct community facility loans to public or nonprofit organizations to build and equip more than 30 types of essential community facilities, including fire houses, hospitals, nursing homes, community halls, libraries and schools. The Act also authorized FmHA to guarantee farm loans made by commercial lenders, raised the lending limit on farm operating loans, and increased the authorizations for water and waste disposal system loans and grants. FmHA's program to attract industries to rural areas—the business and industry loan program—also began under the 1972 Act. These provisions reflected growing Congressional concern about providing adequate financial assistance not only to farmers but to the greater rural community as well.

Reflecting concern about the cost of other FmHA programs, Congress, in the Agricultural Credit Act of 1978, also changed the interest rate for farm ownershop loans to reflect the Government's cost of borrowing money. Prior to that time, the interest rate had been fixed by statute at 5 percent.

The Omnibus Budget Reconciliation Act of 1981 amended the emergency disaster loan program to increase the interest rate charged on loans made to cover actual losses. Further reflecting concerns about bringing growing Federal expenditures under control, this provisions increased the portion of loss a producer would have to experience in order to be eligible for an emergency loan.

A severe drought in 1983 prompted Congressional consideration and enactment of the Emergency Agriculture Credit Act of 1984, which expanded the disaster loan program by widening the eligibility for loans, extending the application period, and changing the way in which collateral is valued. The Act also increased the loan limits for direct and guaranteed farm operating loans.

Current FmHA farm credit programs

Under the farm ownershop loan program, FmHA makes direct loans (also called insured loans) in amounts of up to $200,000 for the purchase, improvement, or refinancing of farm real estate. Borrowers must have adequate equity and income, be operators of family-size farms, as defined in the regulations (7 CFR 1941.3(d) and 1943.4(d)), and be unable to obtain credit elsewhere. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the Government's cost of borrowing money, plus an additional charge not to exceed 1 percent. The current interest rate is 10¾ percent, and the repayment term is 40 years. Recipients of direct loans must refinance through commercial lenders when they are financially able. The security for the loans is one or more mortgages on the farm real estate.

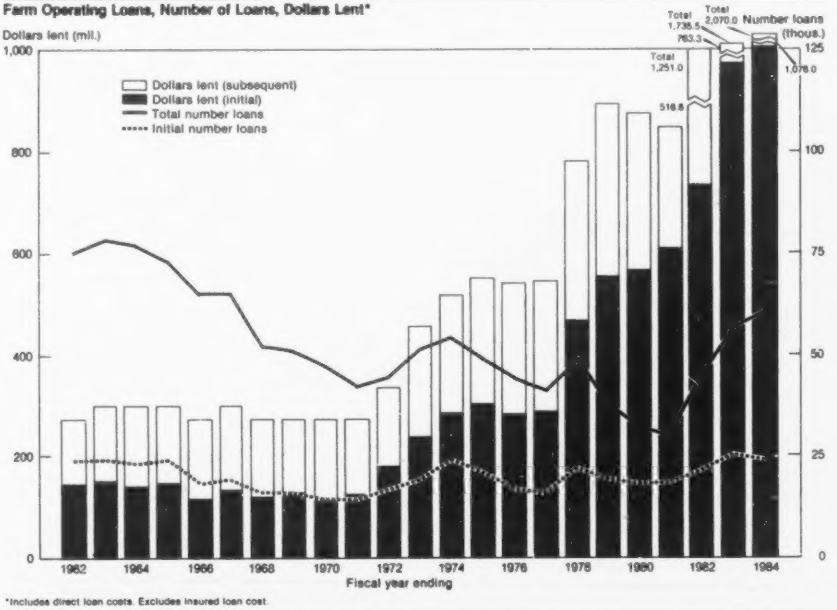
Also under the farm ownership loan program, FmHA guarantees loans, in amounts of up to $300,000, made by banks and other private lenders to farmers who meet FmHA criteria. The interest rate for guaranteed loans is negotiated by the lender and the borrower, and approximates the market rate for similar agricultural loans.

Direct farm ownership loans are also available to family-size operators who lack experience, equipment, capital, adequate financing, income or cash flow—i.e., low-income, limited-resources borrowers. The interest rate charged to these borrowers is not more than one-half the Government's cost of borrowing (but not less than 5 percent per year), and the rate of interest increases as periodic reviews indicate the borrower is able to pay a higher rate. The applicable interest rate charged low-income, limited resource borrowers is increased by 2 percent if the project being financed involves the use of prime farmland for nonfarm purposes. The curent interest rate for farm ownership loans to low-income, limited-resource borrowers is 5¼ percent. Guaranteed farm ownership loans are not available to this category of borrower.

Under the farm ownership loan program, 4,240 limited resource loans were made through September 11, 1985. This number is about 58 percent of the total loans made under the farm ownership program for fiscal year 1985. The loan volume for farm ownership loans made at the limited resource rate is $394,561,140.

Under the farm owernship loan program, FmHA has made 396 thousand direct loans totaling $10.9 billion to regular and limited resource borrowers, from the beginning of the program through fiscal year 1984. Table A indicates the level of lending under this program since 1962.

TABLE A



Source: A Brief History of Farmers Home Administration, U.S. Department of Agriculture, Farmers Home Administration, February 1985

Under the farm operating loan program, FmHA makes insured operating loans of up to $200,000 to enable family-size operators who are unable to obtain credit elsewhere to purchase feed, seed, fertilizer, livestock, poultry and other production supplies. Operating loans may be initially scheduled for payment over periods from 1 to 7 years, depending on loan purposes, and rescheduled for up to an additional 15 years. The operating loan interest rate is set by the Secretary of Agriculture under the same conditions as for the farm ownership loans, and is currently 10¼ percent.

Loan guarantees for operating loans made by private lenders in amounts up to $400,000 are also available under FmHA's operating loan program. The interest rate for guaranteed loans is negotiated by the borrower and the lender.

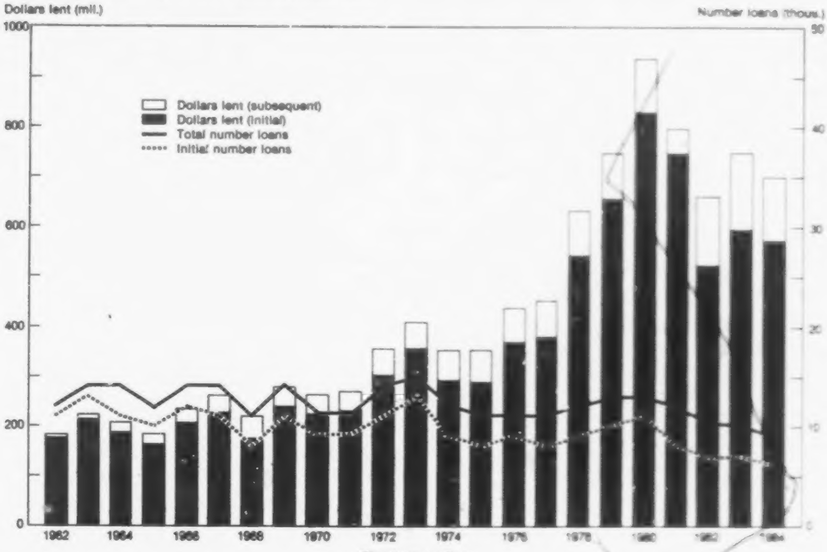
Guaranteed farm operating loans are not available to low income, limited resource borrowers, but they can obtain direct loans under the farm operating loan program. The loans bear interest at a rate 3 percent below the cost of money to the Government, plus an additional charge not to exceed 1 percent; increases in the rate follow the same process as for the farm ownership loans. The current interest rate for operating loans to low-income, limited-resource borrowers is 7¼ percent.

Farm operating lending to low-income, limited resource borrowers has been greatly expanded by the current Administration to meet the extraordinary credit needs of FmHA applicants. The Secretary has provided these lower interest operating loans to many more applicants than in previous years. Through September 11, 1985, a total of 48,404 farm operating loans were made at the limited resource rate. The loan volume for these loans was $2,249,957,680. Therefore, about 65 percent of all loans made under the farm operating loan program in the current fiscal year were made at the limited resource rate of interest.

Under the farm operating loan program, FmHA has made 2.4 million loans totaling $16.3 billion to regular and limited resource borrowers, from the beginning of the program through fiscal year 1984. Table B show the significant increases in the farm operating loan levels since 1962.

TABLE B

Farm Ownership Loans, Number of Loans, Dollars Lent*



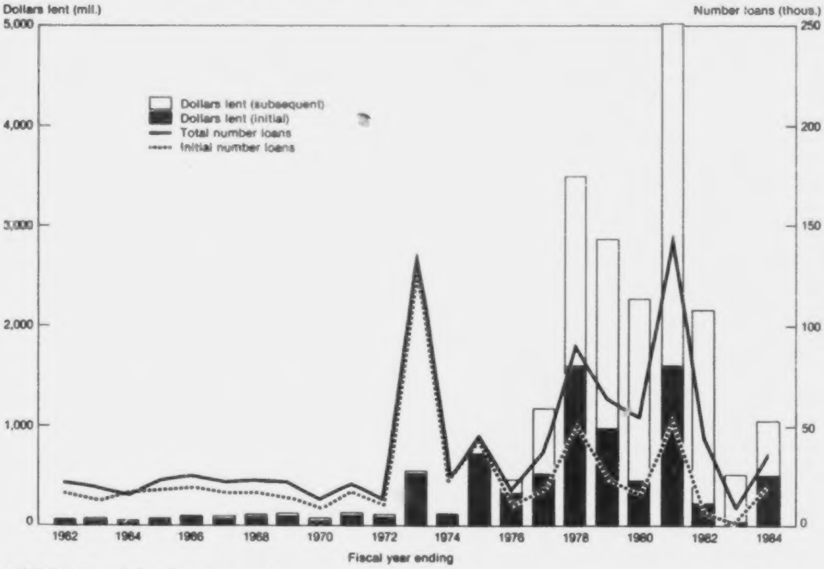
*Includes direct loan costs. Excludes insured loan costs.

Source: A Brief History of Farmers Home Administration, U.S. Department of Agriculture Farmers Home Administration, February 1985.

Emergency disaster loans are available to applicants whose farms are located in counties that have been declared disaster areas by the President, the Secretary of Agriculture, or, under certain circumstances, the FmHA Administrator. Farmers can currently obtain emergency disaster loans even though crop insurance through the Federal Crop Insurance Corporation (FCIC) is available in their counties for their commodities. There is also no limit on the size of the farms eligible for emergency disaster loans. Farmers unable to obtain credit elsewhere may receive loans to cover 80 percent of their actual losses at subsidized interest rates. Those able to obtain credit elsewhere may still receive an FmHA loan covering their losses, but at interest rates prevailing in the private market. Loans are limited to $500,000 per disaster. The FmHA has made a cumulative total of 1.2 million loans totaling $22.2 billion under this program. Table C indicates the level of lending under this program since 1962.

TABLE C

Emergency Loans, Number of Loans, Dollars Lent*



*Includes direct loan costs. Excludes insured loan cost.

Source: A Brief History of Farmers Home Administration, U.S. Department of Agriculture, Farmers Home Administration, February 1985.

FmHA community loan programs affected by 1985 farm bill proposals

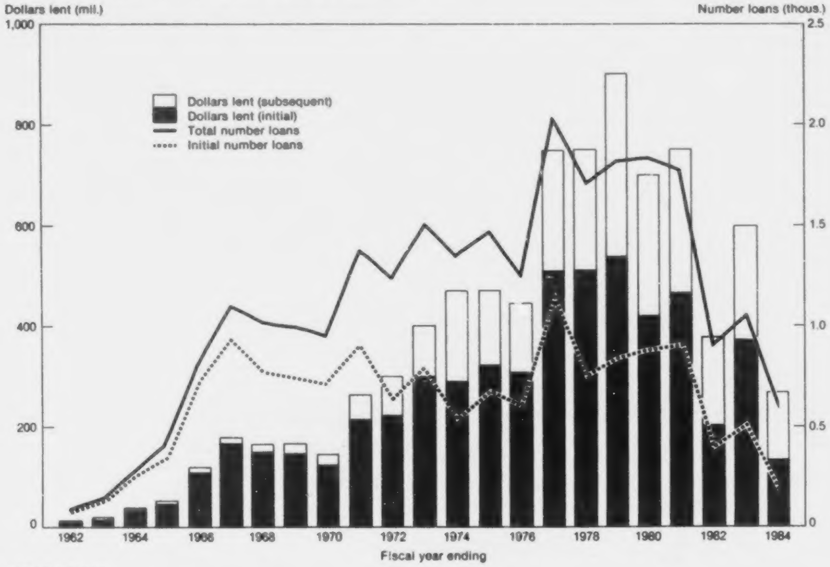
The Water Facilities Act of 1937 was amended in 1954 to apply to all states, not just the 17 arid Western States. Then in 1965, the water facilities loan program was revised to create a water and waste disposal loan and grant program. Subsequent legislation further increased FmHA's loan and grant authorizations in this area.

Under this program, public, quasi-public, and nonprofit associations, and certain Indian tribes, are eligible to borrow money for replacing or upgrading water and waste disposal systems. The program is limited to rural areas and towns of 10,000 or fewer residents. The interest rate for such loans cannot be more than the current market yield for comparable-term municipal obligations.

In areas where the median household income of the water service area is below the poverty level and the project is needed to meet health or sanitary standards, the interest rate cannot be more than 5 percent. Where the median household income of the water service area is greater than the poverty level, but less than 85 percent of the non-metropolitan median household income of the State, FmHA charges an intermediate interest rate that is one-half the difference between 5 percent (the poverty rate), and the market rate, which is then added to the 5 percent rate. The loan has a 40-year term. In situations where a water system's debt repayment load would result in unreasonably high service rates to users, FmHA makes money available in the form of a grant. Grants may not exceed 75 percent of the development costs of the project. Approximately 13,000 borrowers are currently covered under the water and waste system loan and grant program. Since the beginning of the program through fiscal year 1984, FmHA has made 39 thousand loans and grants totaling $11.1 billion. Table D shows the program levels for the water and waste disposal loans since 1962.

TABLE D

Water Waste Disposal Loans, Number of Loans, Dollars Lent*



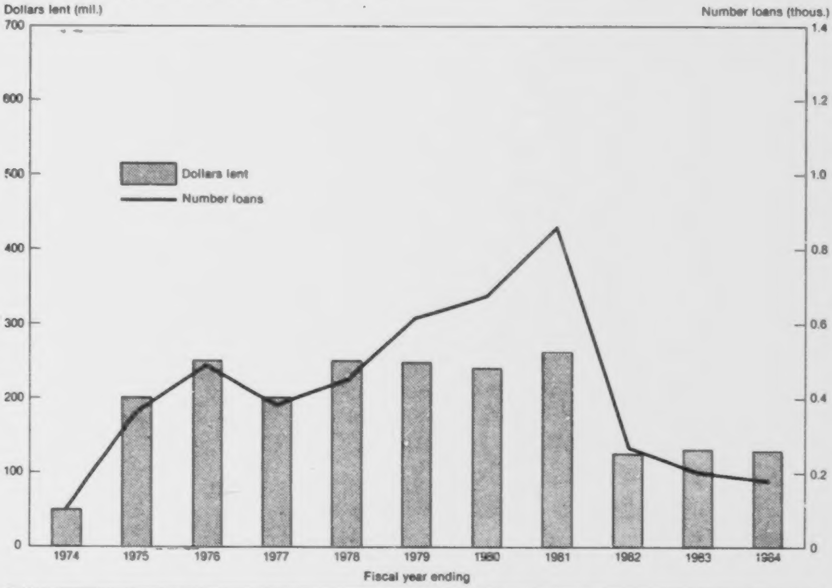
*Includes loan costs.

Source: A Brief History of Farmers Home Administration, U.S. Department of Agriculture, Farmers Home Administration, February 1985.

Through the community facilities loan program, FmHA makes loans for building facilities that provide essential services to residents of the rural countryside or towns up to 20,000 population. Interest rates are set in the same manner as for water and waste system loans. An additional 2 percent is added to the interest rate if projects are built on prime farmland, unless the borrower is a public body and there are no other suitable site. The loan term is up to 40 years. From the beginning of this program through FY 84, FmHA has made more than 4 thousand loans totaling $2 billion. Table E indicates loan levels under this program since 1974.

TABLE E

Community Facility Loans, Numbers of Loans, Dollars Lent

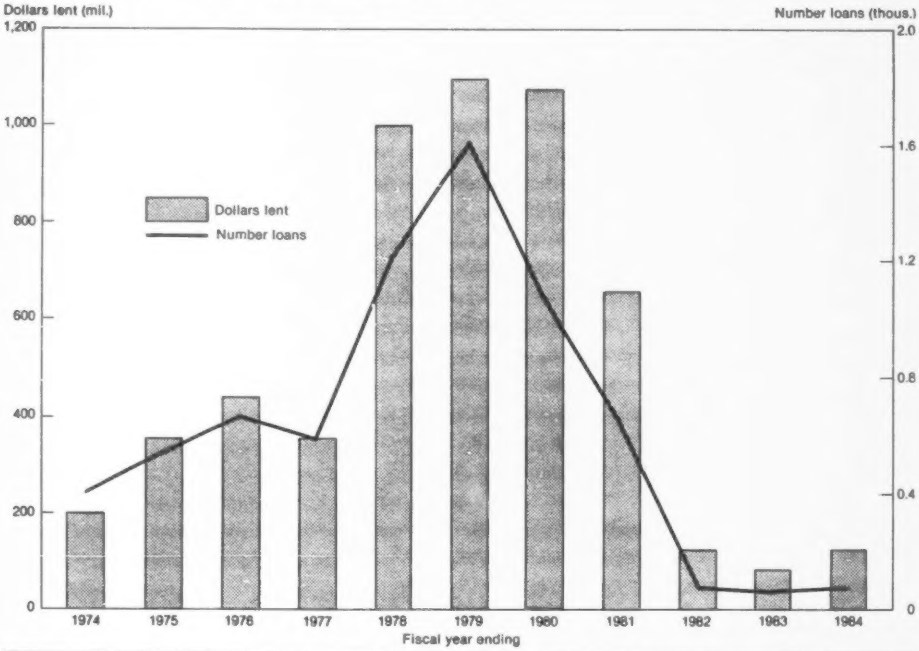


Source: A Brief History of Farmers Home Administration, U.S. Department of Agriculture, Farmers Home Administration, February 1985.

The business and industry (B&I) loan program is designed to attract business and industrial development to communities with fewer than 50,000 residents, with emphasis on communities half that size. From the start of the program through fiscal year 1984, FmHA has guaranteed more than 7,000 B&I loans totaling $5.6 billion. Individuals and corporations, profit and nonprofit, may apply for guaranteed loans of 7, 15, or 30-year terms, depending on the collateral offered. The interest rate is determined by the borrower and the lender. The loan limit is $10 million ($20 million for alcohol fuel production loans). Table F indicates loan levels of B&I loans since 1974.

TABLE F

Business and Industrial Loans, Number of Loans, Dollars Lent



Source: A Brief History of Farmers Home Administration, U.S. Department of Agriculture Farmers Home Administration, February 1985.

PURPOSE AND NEED

Eligibility for real estate and operating loans

Section 1701 provides that the Secretary of Agriculture may not restrict eligibility for loans made or insured under the real estate or operating loan programs solely to current borrowers.

The Committee was made aware of the intent by the Secretary to promulgate regulations to preclude from eligibility for the Farmers Home Administration farm operating and farm ownership loan programs, borrowers who do not currently have outstanding loans under these programs. The Committee, through this provision, intends that all qualified farmers have the opportunity of making application for such credit regardless of whether they currently borrower from FmHA. This provision provides that the farm ownership and farm operating loan programs shall remain open to eligible new borrowers.

Water, waste facility and community facility loans and grants

Section 1702(a) requires the Secretary to take into consideration any recommendation by the loan applicant or borrower concerning the technical design or choice of materials to be used for such facility. If the Secretary rejects this recommendation, the applicant or borrower must be given a comprehensive justification for the Secretary's determination.

In the financing of rural water and sewer systems, the FmHA has formulated policies regarding the selection of pipe and other materials that have elicited protest from program applicants and borrowers. A study by the National Academy of Sciences indicates a number of instances in which the FmHA has required the inclusion of specific piping material, in the bidding process, contrary to the wishes of the applicants or borrowers. Some borrowers and applicants have maintained that the use of such material, at the insistence of the FmHA, has resulted in unnecessary costs for repair and replacement. The FmHA does not accept liability for these costs.

The Committee intends that the Secretary give every appropriate consideration to the specific requests of borrowers and applicants concerning the technical design and choice of materials. If any such request cannot be accommodated, the Secretary is required to fully justify, in writing, the reasons why alternative designs or materials were required for the project.

Section 1702)(b) modifies the interest rate charged on loans for water and waste disposal facilities and essential community facilities. Current law authorizes the Secretary to set interest rates on loans (other than guaranteed loans). These rates cannot exceed the current market yield for outstanding municipal obligations with remaining maturity periods comparable to the average maturity for such loans and adjusted to the nearest 1/8 of 1 percent.

Under current law, the interest rate may not exceed 5 percent on loans made for the purpose of upgrading existing facilities or construction of new facilities that are required to meet applicable health standards in areas where the median household income of the persons to be served by the facility is below the poverty line prescribed by the Office of Management and Budget.

The Committee broadened the eligibility for the 5 percent interest rate by adopting a provision that would make applicants eligible for the 5 percent interest rate when the facility to be funded would serve persons having a median household income below 80 percent of the statewide nonmetropolitan median household income. This effectively removes the OMB poverty line as an eligibility requirement for such interest rate.

The Committee determined that 80 percent of statewide nonmetropolitan median household income was a more appropriate basis of eligibility for the lowest interest rate and would therefore provide this assistance to communities that might have difficulty making repayments at the higher rate.

Further, the Committee set a new interest rate ceiling of 7 percent for loans to applicants that do not qualify for the 5 percent rate and do not meet the requirements for loans at the market rate for municipal obligations. This rate would apply to loans to fund facilities serving persons having median household incomes of between 80 and 100 percent of the statewide nonmetropolitan median family income.

The Committee agreed to this provision in order to assure that loans offered under the FmHA water and waste disposal program are available at rates of interest deemed appropriate for applicants that are not eligible for the 5 percent rate of interest, yet may not be able to afford the municipal rate for such loans.

Under Section 1701(c) of the bill, the Secretary is required to conduct a study of the practicality and cost effectiveness of making loans and grants for the construction of water and waste disposal facilities in rural areas at individual locations, rather than central or community locations. Currently, FmHA makes water and waste disposal facility loans for these purposes only for projects that serve communities, and not for facilities at individual locations. The Committee believes that additional information is needed to determine whether individual facilities might be preferable to central facilities in certain locations.

Sale of notes and security

Section 1703 of the bill clarifies that the Secretary has the authority to sell notes and security from the Agricultural Credit Insurance Fund (ACIF) or the Rural Development Insurance Fund (RDIF) on a nonrecourse basis. However, any notes sold from the ACIF must have been held in the fund for at least 4 years.

Current law gives the Secretary the authority to make sales of notes and security from the Funds, but the Committee believes that clarification is necessary to remove any uncertainty that might reduce the value of such assets or make such sales difficult. Generally, purchasers of such notes on the secondary market need the assurance that they can adequately service these loans. Certain administrative procedures under the Consolidated Farm and Rural Development Act that are not available to borrowers in the private sector would greatly restrict prudent servicing of these loans by potential purchasers. Therefore, the Committee adopted the provision to clarify that both the purchasers of such notes and the Secretary are relieved of any responsibilities that may have been imposed, had the borrower remained indebted to the Secretary.

The use of the authority provided in this provision will greatly facilitate the effective management of the FmHA loan portfolio. The sale of loans to the private sector will relieve a substantial burden of FmHA personnel to service these loans and will reduce associated costs. It is assumed by the Committee that sales of notes now held in the ACIF and RDIF will be necessary in the future. The implementation of this provision will make such sales attractive to the private sector, as well as more cost effective to the Government.

It is the Committee's understanding that the rate of interest of any notes sold may not be changed after that note is sold.

Rural industrialization lending

Section 1704 reauthorizes and limits the business and industry loan program to the guaranty of loans made to applicants for the purpose of financing the production and distribution of ethanol in rural areas.

The Committee is aware of the abuses that have occurred in the administration of this program in the late 1970's, including the guaranty of loans for projects not deemed suitable. However, the Committee recognizes the need of financing ethanol plants. Therefore, the Committee adopted modifications in the business and industry loan program to limit eligibility under the program to ethanol projects and to eliminate the authority to make insured loans. The Committee emphasizes that eligible applicants must be creditworthy in order to obtain a loan guarantee.

Farm recordkeeping training for limited resource borrowers

Section 1705 of the bill provides that a portion of the proceeds from loans made under the farm operating limited resource program may be used to pay for training in the maintenance of records of farming and ranching operations.

Adequate record keeping is integral to a well managed farm operation. Low-income, limited-resource borrowers often lack sufficient training in maintaining farm records. Therefore, the Committee agreed to permit the use of loan funds under the limited resource program for this purpose.

Emergency loans

Section 1706 provides that an applicant may not use crop losses, which could have been insured against under the Federal Crop Insurance Act, as a basis of eligibility for an emergency disaster loan.

The annual cost to the taxpayers of the emergency disaster program is determined by the number and severity of natural disasters that cause crop losses. Therefore, the number of producers eligible for emergency loans varies widely from year to year. The interest rate on such loans, under current law, is set by the Secretary, but any not exceed 8 percent if the applicant cannot obtain credit from other sources. The Secretary has established the interest rate at 5 percent for the first $100,000 of credit for actual losses and 8 percent for addition losses up to the limit of $500,000. These interest rate subsidies are a significant burden on the Federal budget. The total amount of credit obligated under this program in 1984 was $1,051,627,160 down from a high of $5,112,290,430 in 1981.

Farmers, like other businessmen, generally regard insurance as a normal cost of doing business. However, a deeply subsidized loan program to extend credit to operators experiencing crop losses due to severe weather provides a disincentive to purchase crop insurance.

The Committee, in agreeing to restrict eligibility for crop losses under the emergency disaster loan program, recognizes the responsibility of producers to adequately insure their crops from weather related losses. In cases where Federal Crop Insurance is not available, producers who meet the eligibility requirements prescribed in current law can receive credit assistance. The Committee made no change in current law with respect to loans for physical losses as a result of natural disasters.

Loan funds extended to a farmer who lost crops due to a natural disaster, even at subsidized interest rates, will not help that producer recover lost income. The principal as well as interest must be repaid from the proceeds of subsequent crops. Indebtedness incurred as a result of disaster loans has caused a significant number of farmers to reach insolvency.

The most responsible form of disaster relief is a crop insurance program which will provide indemnity payments to producers so that adequate money will be available to deal with disasters. Loan programs and the resulting debt load incurred by participants should be discouraged when adequate crop insurance is available.

The Committee provided that the modification in eligibility for the emergency disaster loan program will not apply to eligibility based on damage to an annual crop planted before the date of enactment of the bill.

The Committee also modified the emergency loan program for those producers who remain eligible. Current law provides that no emergency loan may exceed the amount of the actual loss caused by the disaster, or $500,000, whichever is less, for each disaster. There is no limitation on the total amount of indebtedness per borrower under the emergency loan program.

The Committee adopted changes in current law that will limit the maximum amount of the emergency loan for each disaster to the amount of the actual loss, or $200,000, whichever is less. Further, the Committee provided that an individual borrower's total principal indebtedness outstanding under the emergency disaster loan program cannot exceed $400,000.

The Committee, in considering several proposed modifications to this program, pointed to the need to target assistance under this program to family size farmers. Losses deemed larger than those normally associated with family farm operations should not become the basis for loans at subsidized interest rates provided under the emergency disaster loan program.

Authority to make subsequent emergency loans to eligible borrowers for annual operating purposes for up a 2 years was repealed by the Committee. In considering this provision, the Committee indicated that loans under this program should only be made to producers who suffer loss of crops as a result of a disaster.

Settlement of claims

Section 1707 of the bill broadens the Secretary's authority to settle the debt obligations of (FmHA) borrowers. There is a limited provision for the compromise settlement of debt in current law, but the Committee agreed that broader authority is needed. The Committee adopted this section because the Committee believes it is in the best interest of both the borrower and the Government to have greater flexibility to compromise repayment obligations.

Under this provision, a borrower may enter into negotiations with the FmHA prior to any liquidation to determine what assets he might be able to retain as a result of liquidation. It is the Committee's understanding that a borrower is presently required to liquidate all security property until the debt is settled. In some cases, the indebtedness exceeds the value of the collateral and the borrower remains obligated to repay the difference. In such cases, there is little incentive for a borrower who recognizes his inability to repay and the certainty of future liquidation or foreclosure, to liquidate voluntarily. The result is often a long protracted legal proceeding that does not benefit either the Government or the borrower.

It is the Committee's expectation that the Secretary will utilize this provision to negotiate in good faith with severely delinquent borrowers prior to liquidation to reach agreements that would allow the borrower to retain his home and some immediate real property to assist the borrower in making a transition from agriculture to another livelihood. It is the Committee's intent that this provision be used on a case by case basis to meet the individual circumstances of each delinquent borrower, so that more consideration could be given to borrowers who have adequately maintained security property and made every effort in good faith to live up to the terms of the loan agreement.

Also, it is the intent of the Committee that the authority in this provision be used, when coupled with other authority granted to the Secretary, to provide for the repayment of certain FmHA loans using the proceeds from trees grown on land subject to an FmHA claim.

Transfer of loan accounts

Section 1708 provides that the Secretary must allow, on a one-time basis, and with the approval of the FmHA State Director, a FmHA borrower to move his loan account from his county of residence to an adjacent county with the approval of the FmHA State Director.

In certain cases, FmHA borrowers may believe it would be in their best interest to permit agency personnel, other than those in their home county, to review loan applications or loan servicing requests. Under this provision, borrowers would be allowed to petition the Secretary to move their loan accounts to an adjacent county. If approval is granted by the FmHA State Director, this move would be final and permanent and no further such petitions would be allowed.

Oil and gas royalties

Section 1709 provides that a FmHA borrower may make prospective payments on any loan under the Consolidated Farm and Rural Development Act and the Emergency Agricultural Credit Act of 1978 with the proceeds from (1) the leasing of oil or gas rights, or other mineral rights, associated with the real property used to secure such loan or (2) the sale of oil, gas, or other minerals removed from the property, if the value of these assets has not been used to secure the loan and the collateral for the loan is otherwise adequate.

In adopting this provision, the Committee believes that in cases where the FmHA loan is adequately secured and the value of oil, gas or other minerals were not a part of the loan collateral, the borrower should be allowed to make prospective payments from the proceeds resulting from their sale or lease. The removal of such gas, oil, or minerals cannot reduce the value of the collateral that secures the loan, however. This provision will not apply to borrowers who have liquidation or foreclosure proceedings pending on the date of enactment of the bill.

Processing of applications

Section 1710 establishes time limitations for the approval or disapproval of loan applications made with FmHA. A complete application must be approved or disapproved and the applicant notified within 90 days after the Secretary has received such application. If the application is not complete, the applicant must be informed the reasons why it is not complete within 20 days. If the application is disapproved, the applicant must be informed the reasons for its disapproval.

If an application for an insured loan is approved, the Secretary must provide the loan funds, when such funds are available, within 15 days after the application is approved. The applicant may request a longer period or multiple advances, however.

The Secretary must approve or disapprove the application from a lending institution for designation as an approved lender within 15 days after receipt of a complete application.

The Secretary must make personnel and other resources of the Department of Agriculture available to FmHA to expeditiously process loan applications from farmers and ranchers.

In adopting these provisions the Committee recognizes the need of farmers and ranchers for an orderly and expeditious review of loan applications. Applicants should be informed as to the basis for decisions on their applications and of any omissions in their applications that would delay a timely decision.

The Committee acknowledges the efforts made by the FmHA to expedite loan application decisions, but is aware of the need to prescribe specific time periods for the orderly processing of applications. The Committee wants to ensure that adequate human and financial resources be made available to meet the time tables established in the bill.

Appeals

Section 1711 of the bill provides that the Secretary make certain information and privileges available to applicants and borrowers who have been adversely affected by a decision of the Secretary.

The Secretary shall notify the applicant or borrower not later than 10 days after an adverse decision of the opportunity for an informal meeting and a hearing and the procedures to formally appeal the decision. The applicant or borrower shall have the right to inspect his loan file and reproduce the contents at a reasonable cost. The applicant or borrower must also be afforded the opportunity to be represented by an attorney or nonattorney during any proceeding or file inspection.

In adopting these provisions, the Committee wants to insure that any FmHA borrower or applicant has ample opportunity to obtain fair and adequate review of his case after an adverse decision has been made. The applicant should be made fully aware of his rights for such review and of the opportunity to discuss the adverse decision at an informal meeting with FmHA personnel. It is hoped that such an informal meeting will resolve misunderstandings between the applicant and the FmHA and would, therefore, reduce the need for formal appeals.

In order for the Committee to gain a better understanding of the appeal process and to determine whether modifications may be needed, the Secretary must conduct a study of the procedures used for appeals in the farm loan programs of FmHA. This study will focus on the number and types of appeals, the number of appeals that are reversed, the reasons that administrative actions are reversed, modified or sustained, whether the fact that an appellant was represented by legal counsel had any bearing on the final decision, the time frame for the completion of the appeal action, and the desirability of electing members of county FmHA committees.

Disposition and leasing of farmland

Section 1712 of the bill makes modifications in the procedures used by the Secretary in selling and leasing farmland. The Secretary, to the extent practicable, must first make farmland available for sale to operators of farms that are not larger than family-size prior to the purchase of the additional land. If this is not possible, the Secretary must, to the extent practicable, lease this land to operators of farms that are not larger than family-size at the time the lease is executed.

The Committee believes that farmland made available from FmHA inventory should first be made available to family farmers in order that these operators have a fair and equitable chance to obtain it before it is offered to the general public.

The Secretary, in leasing farmland, must give special consideration to a previous owner or operator if that person is adequately qualified and the Secretary determines that the previous owner or operator has reasonable prospects for success in the proposed farming operation. The Secretary must also issue regulations which would permit the leasing of farmland with the option to purchase it.

The Committee recognizes the benefit in providing an opportunity for the previous owner or operator of the land to continue farming it if the circumstances that made it necessary for the land to be conveyed to the Secretary can be overcome by the applicant. Through the lease of such farmland, eligible farmers may improve their financial situations to the point they could regain ownership of the property in the future. In carrying out this provision, the Secretary should determine if the lease to the previous owner is appropriate before such land may be sold. The Committee recognizes, that not all previous owners or operators of conveyed farmland will be able to qualify for this program.

When the Secretary sells farmland through an installement sale or similar device, he must do so in a manner that protects the Government's investment in such land. The Secretary may subsequently sell this contract. Through the use of this sales devise, the Committee anticipates that the sale of property will not be limited to financing made available under applicable FmHA loan programs. It may be advisable for the Secretary to sell this contract on the secondary market and the Committee explicitly grants this authority under this section.

The sale price for land offered by the Secretary must reflect the average annual income anticipated to be generated from farming such land. The Committee is fully aware of the damage done to agriculture as a result of the inflationary pressures on farmland values in the 1970's and early 1980's. It is therefore advisable that the price of land to be sold by the Secretary accurately reflect the income to be derived from this property, in order that the debt incurred from its purchase can reasonably be managed by a farm operator.

The Committee intends that the Secretary take such measures as are necessary to ensure that the sales of FmHA-owned farmland do not depress the value of surrounding privately owned farmland.

The Secretary must subdivide any parcel of land that is not suitable for sale to a family-size farmer. This provision will enable the Secretary to sell large tracts to family farmers by subdividing these farms into smaller units that can reasonably be purchased by family farmers. It would also make farmland available to more prospective buyers who wish to purchase family farms.

The Secretary must advertise the availability of this farmland as prescribed in the bill to ensure, as far as possible, that all potential buyers are aware of its impending sale.

The Committee supports the use of appropriate conservation practices on land to be sold or leased by the Secretary. Therefore, certain restrictions involving the use of conservation practices may be placed on the use of such property as a condition of its sale or lease.

Release of normal income security

Section 1713 provides that the Secretary must release to FmHA borrowers an amount of money sufficient from the sale of security property to pay the essential household and farm operating expenses of the borrower.

This provision applies to farm borrowers who pledge the products of their farming operation as collateral for loans obtained from FmHA. Normally, when these products are sold, the borrower repays his indebtedness. In some cases the proceeds from the sale of the collateral is not sufficient to both repay the loan and leave the borrower enough money to pay essential household and farm operating expenses. When this situation occurs, the Secretary shall release enough money from the proceeds, as provided in the borrower's plan of operation, so that the borrower can pay essential household and farm operating expenses.

Loan summary statements

Section 1714 requires that a loan summary statement be provided to an FmHA borrower when the borrower requests such a statement. The statement would include: the amount of principal outstanding on each loan at the beginning of the summary period, the interest rate charged on each loan, an explanation of the application of all payments received, the amount of principal and interest due at the end of the summary period, any delinquency in repayment, a schedule of the amount and date of payments due on each loan, and the procedure the borrower can use to obtain additional information concerning his loan or loans.

Authorization of loan amounts

The Committee, in Section 1715, reauthorized the real estate and farm operating loan programs for fiscal years 1986–88. The amounts provided for each of these programs is contained in a consolidated authorization level of $4 billion.

The amounts authorized by the Committee are as follows:

Fiscal year 1986—$2 billion for insured loans (of which not less than $260 million must be for farm ownership loans), and $2 billion for guaranteed loans (of which not less than $260 million must be for guarantees of farm ownership loans).

Fiscal year 1987—$1.5 billion for insured loans (of which not less than $195 million must be for farm ownership loans), and $2.5 billion for guaranteed loans (of which not less than $325 million must be for guarantees of farm ownership loans).

Fiscal year 1988—$1 billion for insured loans (of which not less than $130 million must be for farm ownership loans), and $3 billion for guaranteed loans (of which not less than $390 million must be for guarantees of farm ownership loans).

The Secretary was also given the authority to transfer up to 25 percent of the funds authorized for guaranteed loans to funds authorized for insured loans.

The Committee recognizes the necessity for farm borrowers to find alternative credit sources to the FmHA insured loan programs. In 1975, FmHA held only 3 percent of the nonreal estate farm debt, or $1.11 billion. In 1984, the market share of the nonreal estate debt helf by FmHA had grown to an astounding 15 percent or $15.48 billion. This percentage continues to grow in 1985.

The Committee believes that a gradual transition to loan guarantees is an acceptable alternative to our current loan programs, which rely more heavily on direct Government lending. Providing for the credit needs of our nation's farmers and ranchers should be a joint effort between Government and the private sector. Commercial bankers, lenders of the cooperative Farm Credit System, the Farmers Home Administration, as well as others, should each meet their obligation in providing a level of loan assistance. The Committee recognizes that the role of Government in providing credit should more appropriately be in guaranteeing loans made by the private sector. Through aggressive use of Government loan guarantees, credit will be made available from the private sector to all borrowers who can adequately demonstrate repayment ability, experience and other factors which indicate a reasonable chance for success.

Furthermore, through the use of loan guarantees, FmHA exposes the borrowers to a wide range of loan servicing and counseling available in the private sector. The tremendous demands placed upon FmHA personnel in recent years makes adequate loan servicing nearly impossible. Many farm borrowers derive great benefit from financial advice available from commercial loan officers in making decisions affecting their operations. A cooperative arrangement in which the Government's role is that of issuing loan guarantees to viable borrowers who have obtained credit from private lenders will benefit agriculture now and in the future.

The Committee reauthorized the emergency disaster loan program for three years, with the previously described modifications, with funding necessary to meet the needs resulting from natural disasters. This continues the current level of funding, which is necessary due to the impossibility of accurately predicting the occurrence and severity of future disasters.

The Committee reauthorized the business and industry loan program for three years with a level of $150 million annually for guaranteed loans. Eligible applicants are limited to projects for the production and distribution of ethanol in rural areas.

The Committee reauthorized the water and waste disposal program for fiscal year 1986 with an authorization level of $75 million.

The Committee also adopted a provision that requires the Secretary to lend no less than 25 percent of the aggregate farm ownership and farm operating loan funds to low-income limited resource borrowers. This is an increase of 5 percent over the current requirement of 20 percent.

Interest rate reduction program

Section 1716 of the bill authorizes an interest rate reduction program for three years, ending on September 30, 1988. This program will be established to make payments to legally regulated lending institutions that reduce the interest rates of borrowers of loans guaranteed by the Secretary.

(1) The borrower must be unable to obtain sufficient credit at reasonable rates and terms from another lender.

(2) The borrower must be unable to make payments on his loan in a timely manner without the interest rate reduction.

(3) The borrower must have a projected cash flow of at least 100 percent.

(4) The lender must agree to reduce the interest rates charged to the borrower by a minimum percentage specified by the Secretary.

In return for the contract made by the lender for the reduction of the interest rates charged to the borrower, the Secretary must make payments to the lender in an amount equal to not more than 50 percent of the cost of reducing the interest rates to the borrower, except that the Secretary's payments may not exceed the cost of reducing the borrower's annual rates of interest by more than 2 percent.

The term of the contract between the Secretary and the lending institution may not exceed the outstanding term of the borrower's loan, or 3 years, whichever is less.

Funding of the interest rate buy down will be obtained from the Agricultural Credit Insurance Fund and must not exceed $490,000,000 over three years.

Study of farm and home plan

Section 1717 requires the Secretary to conduct a study of the appropriateness of the Farm and Home Plan (Form 431-2) used by FmHA in reviewing loan applications. If the findings in the study indicate that the Farm and Home Plan is inappropriate for continued use, the Secretary must evaluate alternative farm plan forms for use in connection with loan applications, evaluate the need for a new form, and specify what steps should be taken to improve or replace the current form. The study shall be completed and provided to the Senate and House Agriculture Committees within 120 days after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

Study of farm credit system

Section 1718 requires the Governor of the Farm Credit Administration to conduct a study of the need to establish a fund to insure Farm Credit System institutions against losses and assist in stabilizing the financial condition of the Farm Credit System and protect the capital invested in the System by its borrowers.

The Governor must consider the advisability of using the revolving fund provided for under Section 4.1 of the Farm Credit Act of 1971 to provide initial capital for the fund. The Governor must also estimate the amount and level of future assessments to be levied on institutions of the Farm Credit System that would be necessary to ensure the long term liquidity of the fund.

The study must be completed within 180 days and submitted to the House Agriculture Committee and the Senate Committee on Agriculture, Nutrition and Forestry.

TITLE XVIII—AGRICULTURAL MARKETING

Subtitle A—Pork Promotion, Research, and Consumer Information

BACKGROUND

According to the U.S. Department of Agriculture, per capita consumption of pork products has declined from 76 pounds per person in the mid 1960's to less than 66 pounds today. Pork production today accounts for less than 7 percent of total cash farm receipts compared with 11 percent in the early 1950's. The number of U.S. farmers selling hogs have declined by eighty percent since 1950. The Committee believes that a national pork promotion program would help the pork industry compete with other food industries and reverse the declining consumption trend that has persisted for many years.

Presently, there are 10 States with State statutes providing for mandatory pork promotion assessments. In 28 other States, State associations have been formed to help administer a voluntary checkoff, which, as of July, 1985, provided for an assessment rate of three-tenths of one percent of the value of market hogs and feeder pigs. Only 12 States do not have State Associations or participate in a producer checkoff program.

In 1984, 41.8 million of 76.6 million market hogs were voluntarily checked off. When combined with the checkoff in the ten legislated States, approximately 60 percent of all hogs are checked off nationwide. Revenues for these assessments are approximately $9.1 million. Of the $9.1 million, $2 million, or 22 percent, was returned to the States and $1.6 million, or 18 percent, was given to the National Livestock and Meat Board. The remainder, 63 percent, went for promotional activities.

In order to accomplish the work that must be done if consumer demand for pork is to be successfully increased and a stronger pork industry developed, the Committee believes that $9 million may be inadequate. One example to indicate the necessity of promotion and research is that a well known fast food chain spends over $600 million a year in promoting its foodstuffs.

PURPOSE AND NEED

The bill establishes a new program of promotion, research, and consumer information designed to strengthen the position of the pork industry in the marketplace and to maintain, develop, and expand markets for pork and pork products. Basically, the Secretary of Agriculture would be required to issue and amend orders applicable to persons engaged in the production and sale of porcine animals, pork, and pork products in the United States and the importation of such animals and products into the United States.

National Pork Producers delegate body

The order implementing an assessment would provide for the establishment and appointment by the Secretary, of a National Pork Producers Delegate Body consisting of producers, appointed by the Secretary from nominees submitted by State associations, and of importers. The number of producer members appointed to the Delegate Body from each State would equal two members, and additional members, determined by using an allocation formula based on porcine animals marketed from the State in calendar year 1986 and based on net assessments collected in such State in subsequent calendar years. The number of importer members would be determined on the basis of importations of porcine animals, pork, or pork products in calendar year 1986 and assessments collected from importers in subsequent calendar years. Pork producer and importer members of the Delegate Body would be authorized to cast a number of votes determined on the basis of specified formulas. The Delegate Body would nominate members of the National Pork Producer Directors for vacancies on the National Pork Board.

National Pork Producer Directors

The order would provide for the establishment and appointment by the Secretary of a body to be known as the National Pork Producer Directors to serve as a liaison between the State pork producer associations and the Board and to consult with the Board on policy matters. The Directors would consist of one pork producer member from each State with one additional producer member from each State from which 11 million or more porcine animals were marketed during a year. One importer member, selected in a manner prescribed by the Secretary, would serve on the Board.

National Pork Board

The order would provide for the establishment and appointment by the Secretary of a National Pork Board consisting of 11 pork producers nominated from members of the Directors and appointed by the Secretary. The Board would develop pork promotion, research, and consumer information plans and projects; submit the plans and projects to the Secretary for approval; administer orders issued by the Secretary; prescribe rules necessary to carry out orders; receive, investigate, and report to the Secretary complaints of violations or orders; make recommendations to the Secretary concerning amendments to the orders; and employ a staff and conduct routine business. The Board would be required to prepare and submit, for the approval of the Secretary, a budget for each fiscal year of anticipated expenses and disbursements of the Board in the administration of the order, including the projected cost of any promotion, research or consumer information plan or project to be conducted by the Board directly or by way of contract or agreement, and the budget, plans or projects for which the State associations and National Pork Producers Council are to receive funds. These budgets, plans, or projects would become effective on the approval of the Secretary.

Assessments

The order would provide for a nationwide checkoff program with an assessment rate of .25 of 1 percent of the market value of the porcine animals, pork, or pork products sold or imported. This would enable the pork producers to significantly expand their public promotion, research, and consumer information activities. A nationwide program would yield a total of approximately $28 million if the producers approve the mandatory assessment in a referendum. Approximately $24.9 million of the sum would come from assessments on market hogs, $1.3 million from assessments on feeder pigs, and $1.85 million from assessments on imports. With this substantial increase in funding, the industry could boost their promotion, merchandising, and export development to 71 percent of the sums collected, or at least $20 million, with 11 percent dedicated to research and education, and ten percent dedicated to communications with producers and packers.

Referendum of producers and importers

The checkoff program, as established by the bill requires that, within a period not earlier than 12 months and not later than 24 months after enactment, the Secretary must conduct a referendum of producers and importers for the purpose of determining whether the assessment program would be continued. The Secretary would terminate the assessment unless the referendum is approved by at least 50 percent of those producers and importers voting in the referendum.

Refunds

Prior to the referendum, the Secretary must offer producers and importers, upon request, the option for a refund of any assessments collected from the producer or importer. Given a recent poll by the National Pork Producers Council which showed 81 percent of pork producers favoring the assessment, the Committee does not believe that the refund provisions are likely to threaten the viability of this program. If the referendum is approved, the assessment becomes mandatory and nonrefundable for all producers and importers.

Subtitle B—Beef Promotion and Research

Beef promotion and research

The bill provides for the establishment of an industry funded beef promotion program. Per capital beef consumption has steadily declined from 110 pounds in the mid 1960's to less than 105 pounds today. Per capita consumption of veal has declined by 50 percent. These declines have occurred despite the fact that cattle prices are at their lowest point in seven years.

Establishment of board

Under the program, the Secretary of Agriculture would issue a beef promotion and research order. This order would, in part, provide for the establishment of a Beef Promotion and Research Board composed of cattle producers, who are appointed by the Secretary for nominations submitted by organizations representing cattlemen, and of importers. The Committee believes that grassroots representation on the Board is needed to protect the interests of all cattle producers. Each State differs in the volume of cattle sold and the potential for market development. Each State that has a specified minimum inventory of cattle would be represented by at least one member on the Board. States that have an inventory less than the specified minimum would be grouped and would be represented by at least one member on the Board. Since the volume of cattle within each State varies widely, those States with high numbers of cattle would have additional representation based on a specified formula to ensure equity in representation. In addition, importers would be represented on the Board. Nominees should reflect the interests of the producers within the State from which they are nominated. Generally, only those State organizations nominating producers of the Board are truly reflective of the interests of the beef producers within a State. Where there exists more than one certified nominating organization within a State, those organizations may caucus to jointly nominate producers to the Board.

The Board is empowered to (1) administer the order; (2) issue regulations; (3) elect members to the Beef Promotion Operating Committee; (4) approve or disapprove budgets submitted by the Beef Promotion Operating Committee; (5) receive, investigate and report complaints of violations of the order to the Secretary of Agriculture; and (6) recommend to the Secretary amendments to the order. It is estimated that the Board would be composed of approximately 120 members. The Board should meet to carry out these duties and exercise their responsibilities with as few meetings as possible.

Currently, there exists an extensive national program of promotion, research and consumer education carried out by the Beef Industry Council, a division of the National Live Stock and Meat Board. This Council receives voluntary contributions from State Beef Councils in order to carry out its activities. In addition, the State Beef Councils are represented within the federated structure of the Beef Industry Council. It is recognized that if the Beef Industry Council and the Board implement programs in a coordinated fashion, producers' money will most likely be spent in the most efficient manner.

Beef Promotion Operating Committee

The order would also provide for the establishment to a Beef Promotion Operating Committee composed of 10 members of the Board and 10 producers elected by a federation that includes the qualified State beef councils as members. The Operating Committee would develop plans, projects, and budgets. The budgets would be submitted to the Board for approval. No plan, project, or budget would become effective unless approved by the Secretary. This would allow the Board the opportunity to provide input into the overall program due to the fact that a Board-approved budget would be the cornerstone of a coordinated beef promotion and research program.

The Operating Committee would be responsible for contracting with national industry-governed organizations to carry out the programs approved by the Board. In addition, the Operating Committee would be responsible for developing the plans and projects and monitoring the activities carried out pursuant to this program. The Board would be responsible for the review and action upon the budgets and plans developed by the Operating Committee. The required approval of budgets, plans, and projects, by the Board and the Secretary assists in preventing conflicts of interest. In addition, this procedure should provide for effective coordination and cooperation between the Board and industry organizations.

Assessments

The order would provide for payment of assessments by all producers and importers and collection of the assessments by the Board. The assessment is to be collected and remitted by each person making payment to a producer for cattle. This includes importers of beef and edible beef products. Currently there exists 38 State checkoff programs which have an already established collection mechanism for State mandated or voluntary contributions from producers. In many of the State programs, brand inspectors or other parties are responsible for remitting assessments. The Board should consider the utilization of collection mechanisms currently in place to collect Board assessments.

For domestically produced cattle, the rate of assessment is established at one dollar per head of cattle each time the animal is marketed. For imported beef and edible beef products the rate of assessment would be the equivalent of one dollar per head. In determining the assessment for imported beef, the Secretary will be expected to establish rates that do not discriminate against foreign producers or violate international trade agreements.

A producer who pays into a qualified State beef council program will reveive credit of up to 50 cents per head. Currently, as a result of voluntary action, or State law, most cattlemen contribute to promotion effort. This program will result in a concerted national effort to maintain and expand the markets for beef and beef products. Accordingly, the assessments collected would be used for promotion and research programs and the maintenance of a reasonable reserve.

Referendum

Cattle producers and importers will be given the opportunity to vote in a referendum to continue or eliminate the beef promotion order. There will be a referendum among catttle producers and importers 24 months following implementation of an initial order, or earlier if the Board so recommends, to determine whether the order should be continued. Persons who have been cattle producers or importers during a representative period determined by the Secretary are eligible to vote. The order would continue if approved by a majority of those voting. If, however, the order is not approved, then the Secretary must terminate collection of assessments within

6 months after the votes are tabulated and must terminate the order as soon as practicable after tabulation.

If the beef promotional program is to succeed, the program will need input and support from the beef industry, before and after implementation of the program. In order to assure such support prior to the issuance of any order by the Secretary, members of the industry may submit a proposed order and comment on any such proposed order published by the Secretary. Similarly, industry members, after an order's issuance, have the opportunity to offer their imput and indicate their support for each order, or lack thereof, through one or more referenda.

During this period, each producer will have had the chance to observe these programs and determine their value to the beef industry. Consequently, when the referendum is conducted, the program will have been given a trial period.

Previous referenda turnouts in State checkoff referenda indicate that the county extension office is the most suitable location for referendum. The Secretary should require producers to certify that they were producing cattle during the representative period in order to vote in the referendum. By conducting referenda at extension offices, indications are that the largest number of producers will participate in the referendum, thereby ensuring a vote truly representative of the industry. In addition, absentee mail ballots are allowed upon request.

Additional referenda may be conducted at the request of at least 10 percent of persons who have been cattle producers or importers to determine whether such producers and importers favor termination or suspension of the order. The provision for further referenda provides producers and importers the opportunity at later stages to assess the desirability of the order within the industry.

Title XIX—General Provisions

PURPOSE AND NEED

National Commission on Agricultural Policy

U.S. agriculture has entered an extremely dynamic era in which the assumptions on which current farm policy are based are being questioned as never before. Only a decade ago, our farm sector appeared to be heading into a period of ever-expanding glogal demand and rising producer income and prices. Even in 1980, the buildup of significant grain stocks in the U.S. was considered by many as only a temporary reversal of the trend toward increasing world dependence on our food supplies.

The past five years have seen a sharp and accelerating shift, from the demand-driven economics of the 1970's to an agriculture in which oversupply of basic crops is redefining U.S. rural economic and social relationships in a fundamental way. As farm prices and income have fallen, the ability of family farmers to finance fixed and variable costs and farm debt payments has increasingly lagged behind. The rapid disinflation during the same years undercut economic assumptions that had prevailed for over a decade. Rising foreign competition for export markets, and the shrinking of world demand due to diminished economic growth following the 1981/82 recession, contributed to the erosion of U.S. sales abroad.

The need for long-range policy development and planning in the U.S. agricultural economy has grown with the severity of these various factors. A significant debate has begun over whether Government intervention in farm production and marketing decisions should be increased to its restrictive levels of the 1940's and 1950's. At the same time, the continuing evolution of fewer, larger, and more cost-efficient farms has confounded efforts to address farm problems through across-the-board, national solutions.

The bill would establish a National Commission on Agricultural Policy to study the structure, procedures, and methods of formulating and administering agricultural policies, programs, and practices of the United States. The purpose of the National Agricultural Policy Commission is to provide a broad and longer-range perspective on the development of U.S. agriculture policy and programs. Its findings and recommendations would be strictly of an advisory nature, and would be provided regularly to both the Executive Branch and to Congress. The Commission would essentially serve as a source of policy goals and initiatives, as an independent resource for reviewing proposals, and as a sounding board between State and national policy-makers. It is the Committee's belief that the usefulness and constructiveness of the Commission's work will be in direct proportion to its ability to respond to the policy concerns of both Congress and the Executive Branch in an impartial and nonpartisan manner.

ASCS committees

Current law provides that each county in which significant agricultural production occurs shall have one county Agricultural Stabilization and Conservation Committee. Further, counties may be divided into one or more areas where producers annually elect community committeemen to serve on a local ASCS committee. County committeemen are elected annually by the Community Committeemen in counties that are so divided.

In counties with only one community committee, the county committee also serves as the community committee.

The duties of the county and community committees, subject to the general direction and supervision of the State ASCS committee, are to be generally responsible for carrying out in the county the agricultural conservation program, the price support programs as assigned, the acreage allotment and marketing quota programs, the wool program, programs under the Soil Bank Act and other programs assigned to them by the Secretary of Agriculture and the Congress.

The Committee is aware of efforts in past years by several State ASCS Committees to eliminate community committees. Although this action would reduce costs associated with such committees, it would eliminate a beneficial component of the ASCS committee system. In order to provide for the continuation of ASCS community committees, the Committee adopted provisions to establish by law community committees and strengthen the ASCS committee system in several ways.

Section 1910 provides that the county committee in each county may petition the Secretary to adjust the number of community committees in that county, but the total number may not exceed the number which existed in that county on December 31, 1980. This provision would establish the current number of community committees in each county except when that number is changed upon petition by the county committee.

The Committee increased the term of each community committeemen from one year, under current law, to three years. This action will reduce costs associated with the annual election of community committeemen and provide for a more efficient committee through the continuity of membership such extended terms will allow. This provision shall not apply to the term of office of community committeemen elected before January 1, 1986.

The Committee's action requires that community committees must meet at least once annually. With the direction of the county committee and the approval of the State committee, each community committee may meet additional times, but the members may not be compensated or receive travel expense reimbursement for more than four such meetings in any year.

The Committee adopted several specific duties to be assigned to each local ASCS committee. Among these responsibilities are: to serve as advisors and consultants to the county committee, meet with county and State committees in order to be informed on farm program issues, communicate with local farmers on farm program issues and report to county and State committees recommendations offered by local farmers, and, perform other functions as required by law or the Secretary. Also, the Secretary must communicate to local committees on a timely basis relevant changes in Federal law pertaining to farm programs which may effect producers in that county.

The Committee, in establishing these responsibilities, recognizes the work performed by local ASCS committees, and endeavors to ensure the continuation of communication between the committeemen and local farmers as well as the other important functions performed by these committees.

Community committeemen elected before January 1, 1986, in any county where an increase occurs in the number of the local committees, would serve the unexpired term as a member of the local committee for the administrative area in which the committeemen reside. This will ensure that committeemen elected in areas that are subsequently redrawn as a result of provisions of this section of the bill would serve the remainder of their terms in the area in which they reside.

The Committee adopted a provision to increase the compensation paid to members of county and local ASCS committees by 10 percent. Currently, members of county committees are paid on an hourly rate of $6.73 for the hours actually worked. Members of community committees are paid on an hourly rate of $5.87. The Committee recognizes the efforts of these committeemen and that the compensation currently paid, in many cases, does not adequately reflect their contributions. The adoption of this salary increase will indicate the continued recognition of the efforts put forth by these farmers to ensure an effective management of our agricultural programs.

Federal Insecticide, Fungicide, and Rodenticide Act

Since enactment of the 1978 amendments to the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA"), environmental organizations and the pesticide industry have proposed numerous and sometimes conflicting changes to FIFRA. However, many of the problems addressed by these various legislative proposals have been or could be dealt with administratively by the Environmental Protection Agency.

In the past two years, the EPA has taken action in three broad areas of concern for pesticide regulation. These actions include assuring timely review and decisions on existing pesticides, assuring sound scientific bases for regulatory decisions, and opening up the regulatory process to provide fair and open access for all interested parties, including the general public. The EPA has a reregistration program underway, which is reviewing and updating the regulatory status of existing pesticides. EPA has expanded its data and laboratory auditing program, and taken other steps to assure the quality of the data on which decisions must be based. Public participation in the decision process, and fair access to health and safety data and other documents, have been incorporated into several recent EPA rules governing pesticide decision procedures.

While the EPA has spent the last two years implementing a number of administrative changes in the pesticide program, there are clearly areas where revisions of current FIFRA language needs to be considered. The EPA has sought the advice of various groups on ways that the administration of FIFRA can be changed to permit it to carry out its responsibilities for public and environmental protection more effectively. A number of outside environmental and industry groups have met to discuss FIFRA matters and to obtain a consensus on possible legislative changes to FIFRA. At this moment, the 100 members of the National Agricultural Chemicals Association and 42 consumer, environmental, and labor organizations have reached a consensus agreement for ten amendments to FIFRA. The Committee commends this action and intends ot review this agreement as soon as possible. But the Committee also recognizes that any review of FIFRA will likely be a difficult process that simply cannot be completed prior to the expiration of FIFRA.

This bill provides for a simple two-year reauthorization of appropriations in order to assure effective pesticide regulation while the Committee reviews the recommendations for changes to FIFRA.

Rural technology transfer

This legislation amends the Consolidated Farm and Rural Development Act to authorize the Secretary of Agriculture to make grants to nonprofit institutions for the purpose of enabling the institutions to establish and operate rural technology development centers. The Committee received testimony from the Office of Technology Assessment and others stating that much of today's technology is more readily available to larger farming entities thereby placing smaller farming operations at a competitive disadvantage.

The amendment should enable the U.S. Department of Agriculture, in cooperation with private, nonprofit groups, to establish a more effective technology transfer program that is readily available to smaller farms.

User fees for reports, publications, and software

This provision expands the authority of the Secretary of Agriculture to collect user fees for any distribution of USDA materials and publications including software and electronic publications.

Current law permits the collection of such user fees for any distribution of pamphlets, reports, and other publications provided by the Economic Research Service and the Statistical Reporting Service. However, the Department of Agriculture receives numerous requests on a daily basis for material prepared by the Department which is provided at taxpayer expense. To reduce this expense, this provision permits the collection of user fees for material prepared in offices and agencies of the Department and specifically adds computer software and electronic publications to the list of items for which a user fee may be charged.

Virus-Serum-Toxin Act of 1913

The bill would clarify and update the Virus-Serum-Toxin Act of 1913 (the "VST Act"), the statutory authority for U.S. Department of Agriculture regulation of animal vaccines and related products.

USDA's Animal and Plant Health Inspection Service ("APHIS") has a long and successful history of assuring livestock owners, veterinarians, and the American public that there is an ample supply of safe and effective animal vaccines and other biological products. APHIS carries out its responsibilities pursuant to the VST Act.

But legislation designed to serve the interest of animal agriculture more than seven decades ago has been overtaken by modern events, due to the VST Act's archaic concepts of authority for a Federal regulatory agency, as compared to modern statutes.

Two recent Federal court decisions have created confusion and concern among the producers of animal biological products and those who utilize them. The thrust of these decisions is that USDA has primary regulatory authority over finished products physically moving in interstate commerce, but all other products, such as those made and sold within a single State, are subject only to Food and Drug Administration jurisdiction. These "intrastate" products are not subject to USDA licensure, and FDA has, so far, not asserted its authority over them in a comprehensive manner. In the meantime, "interstate" products remain firmly under the jurisdiction of USDA.

The narrow "intrastate" versus "interstate" distinction found in the VST Act no longer exists for any class of comparable products. Federal laws make no such distinctions for human-use pharmaceuticals, animal drugs, food additives, color additives, medical devices, processed food, meat and poultry products, or pesticides; all are subject to uniform Federal regulatory standards, whether they cross state lines or not.

Animal agriculture has changed drastically since 1913. One major alteration in the industry is the tremendous increase in interstate movement of animal and animal-derived foods. There are truly national markets for the live animals and their products, while USDA's animal vaccine regulatory program is compelled by law to maintain an artificial distinction between "intrastate" and "interstate" commerce in the products used to treat these animals.

The need for uniform national standards has become recognized widely in recent years. The major national livestock producer groups support these amendments, as does the veterinarians' national association. Furthermore, a number of States have enacted rules permitting only USDA-licensed animal vaccines to be sold or used within their borders.

According to a recent USDA survey, at least 15 States now routinely require that animal biologic products used within their boundaries be licensed by USDA, although some of these States permit certain types of unlicensed vaccines under limited special circumstances. These States are Alabama, Colorado, Florida, Hawaii, Idaho, Louisiana, Michigan, Minnesota, Mississippi, Montana, New York, Oklahoma, Pennsylvania, Utah and Wyoming. When the Oklahoma State Board of Agriculture adopted an "emergency regulation" to this effect in 1981, its justification was "an imminent peril to the public welfare." USDA found that only two States, California and South Dakota, actively regulate "intrastate" animal biologics. It must be assumed, therefore, that "intrastate" animal biologic products are almost entirely free of any official scrutiny in the remaining 33 States.

USDA can effectively control the movement of diseased animals and contaminated food of animal origin through court-authorized seizure and injunctive powers. However, the VST Act presently does not give the Department these essential means for the control of animal vaccines and related products. Expanded regulatory authority for USDA would be meaningless, if the Department did not have the tools needed to bring about compliance. Presently, the only enforcement tool is a criminal misdemeanor prosecution. The bill would give USDA powers comparable to those available to regulate commerce in animals and animal-derived foods such as detention and court-ordered seizure and injunction.

The bill provides licensing exemptions for animal owners and veterinarians, who could continue to produce unlicensed vaccines for use in animals under their care (although enforcement actions against unsafe or ineffective products would be authorized). Biologics produced in States that have adequate testing/regulatory programs could continue to be marketed "intrastate" under those State programs without USDA licensing. In addition, all other "intrastate" manufacturers would have four years from the date of enactment to phase into the USDA licensing system.

Poultry inspection

The bill strengthens present law regulating the importation of poultry or poultry products by prohibiting the importation of such poultry or poultry products where it is determined that such foreign products do not meet U.S. inspection, sanitary, quality, species verification, and residue standards and have not been processed in facilities and under conditions at least equal to those under which similar products are processed in the United States. Any such imported poultry that does not meet such standards would not be allowed entry into the United States.

The provision assures the American consumer of wholesome and safe food products while at the same time protecting the U.S. poulty industry from unfair competition from foreign producers who are permitted to sell products in this country that do not meet the standards set for U.S. producers.

Confidentiality of data

Currently, the Statistical Reporting Service (SRS) pledges to each individual from whom data are collected that the individual's data will be held confidential and will only be used in compiling statistical reports and not made available for any other purpose. However, the Committee has been advised that under the Freedom of Information Act, the Privacy Act and Paperwork Reduction Act the Department of Agriculture may not be able to fully guarantee strict confidentiality for such individually reported data.

Although SRS has been requested to provide individual data numerous times during its history, the Agency has not done so. However, if entities seeking data on competitors were ever successful in obtaining such data, the Department's entire statistical system could be in jeopardy as the system is built on voluntary reporting.

The legislation would require that collected data could not be used for any purpose other than a statistical purpose.

In addition, any copies of reports submitted and kept in the respondent's file could not be disclosed if the individual objected to its disclosure.

COMMITTEE CONSIDERATION

HEARINGS

On Thursday, March 7, the full Committee held its initial hearing on the 1985 farm bill. Testifying were Senators, the Secretary of Agriculture and representatives of the major commodity organizations.

The Honorable James Abdnor, Senator from South Dakota, made recommendations to the Committee based on testimony taken in a set of hearings before the Joint Economic Committee. He urged the Committee not to adopt mandatory production controls, import barriers, or strong producer penalties. Instead, he said the farm bill ought to contain better targeting of farm program benefits; more aggressive export programs; fierce provisions to battle foreign subsidies; target price maintenance; provisions to get tax-shelter investors out of agriculture; a sodbuster provision; and an overhaul of Farmers Home Administration programs.

The Honorable Don Nickles, Senator from Oklahoma, proposed a program which would provide that producers planting a program crop on 50 percent of their guaranteed base be considered eligible for program benefits. He said he favored reducing incentives to produce in excess rather than production controls, and also endorsed provisions allowing the Commodity Credit Corporation to use surplus commodities for barter.

Robert Delano, President of the American Farm Bureau Federation, outlined the policy objectives of the AFBF, which include a farm policy based on letting market forces provide incentives between producers and consumers. Among the proposals were strong export programs, a loan rate based on a moving market average, with annual changes limited to 10 percent; target prices used as an income supplement to help farmers through a transition to a market-oriented agriculture; opportunities to reduce surplus stocks.

Ben Morgan, Chief Executive Officer, Dairymen, Inc., and Chairman of the Board, National Council of Farmer Cooperatives, said the Committee needed to adopt a farm bill to assure U.S. competitiveness in world markets to support farm income. His specific proposals included nonrecourse loan rates and target prices used as a means of providing financial support, loan rates that ought to be operated as marketing loans, in which the pay back rate is less than the original loan rate; a discontinuation of the payment limitation; a long-term conservation reserve; and strong export programs.

Corky Jones, President of the American Agriculture Movement, presented a plan that included production controls, the loan rate set at 70 percent of parity in 1986 and increasing 2 percent each year until it reaches 90 percent of parity, and subsidies for U.S. agricultural exports.

Robert Frederick, Legislative Director of the National Grange, said the two factors to be considered in writing the farm bill are the necessity of centering on the development of a food and agriculture policy that meets the objectives of the Nation, and second, in meeting those policy objectives, to consider the structure of agriculture today.

Charles Frazier, Director, Washington Office, National Farmers Organization, presented his groups' proposals, which included extending current farm programs another 5 years, eliminating target prices, setting the loan rate at 75 percent of parity and making it a marketing loan, and a strong sodbuster requirement.

In the afternoon session, the Honorable John Block, Secretary of Agriculture, presented the Administration's views. He first outlined the outside pressures on agriculture, including the strong dollar, rising production costs, relatively high interest rates, and the lingering effects of world-wide economic recession.

He outlined six major goals of Administration policy: long-term policy for agriculture, market-orientation, enhanced U.S. competitiveness, emphasis on family farms, an orderly transition, and equity and consistency. He then outlined the provisions of S. 501, the Agriculture Adjustment Act of 1985, designed to meet those goals.

Secretary Block stated the Administration's opposition to an extension of the current programs. He said the current programs are largely responsible for the economic hardship on farmers today—high price supports which price the United States out of world markets and prevent farmers from responding to market price signals, resulting in excessive production, stock accumulation, and lost markets.

The Secretary stated that the only other alternative to market orientation is mandatory production controls. While prices in the short-term might be higher under such a program, acreage would have to be reduced 40 to 50 percent, the poultry and livestock industries would be hurt by higher feed costs, exports would be greatly reduced, costs of production would rise to reflect the value of produciton rights, and, within a few years, gross income would be lower and net income would be lower, also, than under the Administration's plan.

A mandatory program would also reduce the general economic activity in the broadly defined agricultural related sectors by $5 to $10 billion and employment by 200,000 to 250,000 jobs, as compared to the Administration's bill.

Thematic hearings

On Tuesday, March 12, the Committee held a hearing to examine the structure of agriculture. Testifying were J.B. Penn, President of Economic Perspectives; Dr. Don Paarlberg, Professor Emeritus, Purdue University; and Dr. Kenneth Farrell, Director, National Center for Food and Agriculture Policy, Resources for the Future.

Dr. Penn pointed out that agriculture has become more highly concentrated in the last 50 years. Currently, agriculture and related industries account for about 20 percent of the Gross National Product and 21.5 percent of total employment.

The 1.7 million farms that have less than $40,000 in gross sales account for only 13 percent of the total production. The other 700,000 farms, or 28 percent, account for 87 percent of the production.

The income of farms in the under $40,000 sales class comes from off-farm income. Dr. Penn said that off-farm employment opportunities have done more to solve the farm problem than all the commodity programs put together.

Those 28 percent of the farms involved in produciton agriculture averaged sales of $195,000 in 1983 and had a net farm income of $41,000. The average assets of those farms, as of January 1, 1984, exceeded $1 million, and the average net worth was $179,000.

Dr. Penn also pointed out that the average debt-to-asset ratio for all of agriculture is 21 percent, and he concluded that the fundamental health of all of the farm sector is relatively good.

Dr. Paarlberg, describing the changes that have taken place in agriculture since 1930, pointed out that during that time period the per capita income of farm people has risen from an average of 37 percent of that of nonfarmers to 78 percent.

He said many of the changes on the farm are a result of improved technology, "which calls for increased size of operations, more capital, more sophisticated management."

The current trends in agriculture are likely to continue, he said, because the rate of technology does not appear to be decreasing; if anything, it is increasing.

He said farm programs have not caused the changing structure to slow, since "most of the benefits of commodity programs go to the larger farmers whose incomes are already above the farm and nonfarm average, and in my judgement serve only to speed up the reduciton in the number of farms and increase the average size."

He said prohibition of corporate farms and open-handed credit would not slow the trend, either.

Dr. Paarlberg listed five proposals which he thought would slow the trend: a progressive tax on farmland, tough inheritance laws, changing other tax laws that favor large farmers, targeting government programs, and a reordering of research and extension.

Dr. Farrell said farm programs have failed to meet their objectives of stabilizing prices and incomes to the farm sector, and, in fact, have created instability.

He said that if it were national policy to retain a less concentrated agriculture system, there would need to be an emphasis on changing the distribution of commodity program benefits.

On Thursday, March 14, the full Committee held a hearing on loan rates, target prices, supply management, and production controls. Testifying were Dr. Ronald Knutson, Professor of Agricultural and Food Policy, Texas A&M University; Dr. Raymond Daniel, Vice President and Managing Director, Chase Econometrics; Dr. Luther Tweeten, Regents Professor, Department of Agricultural Economics, Oklahoma State University; Dr. Bruce Gardner, Professor of Economics, University of Maryland; and Dr. Harold Guither, Extension Economist and Professor Agricultural Policy, University of Illinois.

Dr. Knutson said agriculture is likely headed into a period of chronic surpluses, and there are two alternatives for adjustment: one is to rely on the marketplace to lower farm prices and force excess capacity out of agriculture, and two, remove excess capacity through a supply management program.

Mandatory programs are most effective, he said, but they increase costs, foster inefficiency and destroy markets. As the benefits of quotas become capitalized, the cost of production raises also.

Dr. Daniel said U.S. farmers have suffered a loss of markets because of increased production in Argentina and other places, and attributed their increased production to the Russian grain embargo and the value of the U.S. dollar.

He said there has been strong demand growth worldwide, but U.S. producers have not benefitted from it because of subsidies, tariffs, and embargoes.

Dr. Tweeten said the only long-term solution was a market-oriented agricultural policy, because supply control programs that hold prices above market clearing levels do not contribute to net farm income over time anyway.

He said the current supply control programs have failed to restrain costs, and, in fact, have added to production. The wheat base has increased from 53 million acres in 1975 to 93 million acres today.

He said the two alternatives in farm policy were a mandatory production control method, under which the United States would forfeit the export market and sacrifice a major source of foreign exchange earnings; or a market oriented system of pricing which could be accompanied by targeting commodity program benefits to those who most need help.

Dr. Gardner said the biggest disaster that could come out of the 1985 farm bill would be enactment of a bill that attempts to raise farm prices substantially by means of production controls. Such controls, he said, would negate U.S. efforts to become more competitive and would constrain the growth of the most progressive, low-cost producers.

Dr. Guither, reporting on the results of a survey of farmers in 17 states, said the overwhelming sentiment among respondents was that the Federal deficit ought to be reduced to help farmers. Most favored continuing voluntary supply controls rather than imposing mandatory controls, and most agreed with the statement that loan rates should be based on a percentage of the average market price.

On Tuesday, March 19, the Committee held a hearing on the impact of technology in agriculture. Testifying were Dr. Michael Phillips, Office of Technology Assessment; Dr. B.R. Eddleman, Professor and Economist, Mississippi State University; Dr. James W. Richardson, Department of Agricultural Economics, Texas A&M; Dr. Clyve Donoho, University of Georgia; Dr. Geoff Benson, North Carolina State University; and Dr. Larry Huggins, Purdue University.

Dr. Phillips commented on the results of an OTA study entitled, "Technology, Public Policy, and the Changing Structure of American Agriculture."

By the end of the century, he said, cattle ranchers may be able to raise cattle twice their present size with no additional feed, and dairy farmers will be able to control the sex of calves and increase milk production without increasing feed intake. The current technologies in the animal industry, particularly in dairy, will have a major impact for the rest of the decade, he said.

The increased production capacity that will result from better technology, he said, increases the need for a farm program that more easily allows for adjustments in periods of surpluses and shortages.

If the structure change wrought by new technologies is to be slowed, he said, policymakers must provide ways for making the new technologies available to small and moderate size farms. Targeting of income support could be effective as well, he said.

He also warned that the United States has no lock on these technologies. Other countries will adopt them whether we do or not.

Dr. Richardson pointed out that although moderate-size farms are most dependent on farm programs, the large farmers garner most of the benefits.

Dr. Donoho said that reducing technological development would have devastating impacts on the competitiveness of American agriculture. Restraining such development, he said, sends a signal to the rest of the world that we are willing to reduce production and gives them greater opportunities in world markets.

Dr. Benson said he foresees the current trends in technology development to continue, and as it does, the structure of agriculture will continue to change.

Dr. Huggins said the new farm bill ought to be based on developing a policy that will be applicable to all of the many industries that serve to provide our food-processing, development and delivery and wood-based products in the country, rather than only on the farming segment.

Encouraging industries to retain and develop a competitive position in international trade should be an underlying premise of U.S. farm policy, he said, and new technology can aid in those goals.

On Wednesday, March 20, the Committee held a hearing on capital investment, debt, credit, and taxes in agriculture policy. Testifying were Emanuel Melichar, Board of Governors, Federal Reserve System, Michael Boehlje, Iowa State University; and Dr. George Irwin of the Farm Credit Administration.

Dr. Melichar pointed out that beginning in 1983, charge-offs of agricultural banks were higher than the relative level of other small banks. Still, agricultural banks have been relatively profitable in the past, and in 1984 their return on equity was still an average 9 percent.

Dr. Melichar stated that in 1984, 16 percent of agricultural banks made loan loss provisions exceeding 2½ percent of the year-end loans outstanding, but 32 percent needed loan loss provisions less than four-tenths of a percent of outstanding loans. So, there is a mixed picture; 12 percent of the agricultural banks have loan losses greater than earnings, while over half are still earning more than 10 percent return even after covering loan losses.

He said the relative capital of agricultural banks average a full percentage point above the capital ratio at other small banks. The favorable capital position of most agricultural banks, he said, provides a valuable but limited cushion for coping with adverse loan losses.

He also displayed data that shows the deteriorating situation for agricultural banks started at a high level, so that banks started with few problems and have now deteriorated to approximately the national average.

Dr. Boehlje said the credit problems at the farm were also causing shortfalls in the lending community for agricultural input supply firms.

The implications for the farm bill, he pointed out, are that reduced prices and reduced farm income would aggravate the credit problem.

He suggested that one way to address the problem of collapsing land values would be to target benefits to producers in stress. He also said an interest buy-down could alleviate some of the stress. In the long-term, a restructuring of agricultural assets is the only solution.

Dr. Irwin said the ultimate goal of government credit programs must be to provide temporary assistance to groups that cannot make it with private lenders and when there is some public purpose deemed to be served by doing that.

He stated that the Government has provided credit and credit substitutes through commodity credit price support deficiency payments and advanced payment programs.

He pointed out that the farm credit system financial institutions on the whole are sound, and that assistance to the system benefits farmers, not a few wealthy stockholders in some organization.

All three witnesses also pointed out that the solution to financial stress in agriculture could not be solved through program changes in the 1985 farm bill. Dr. Irwin pointed out the importance of developments in the world market, and also the large effect of high interest rates and the need to see them reduced.

Poultry and livestock

On Thursday, March 21, the full Committee held a hearing on poultry and livestock issues.

Jo Ann Smith, President of the National Cattlemen's Association, and Robert D. Josserand, President of the Texas Cattle Feeders Association, both testified in support of a transition to a market-oriented farm economy. Both asked for less Government involvement in agriculture, and testified against continuation of a dairy diversion program.

Ms. Smith and Mr. Josserand, along with James Wright Jackson of the National Pork Producers Council, and C. Manly Molpus, President of the American Meat Institute, all testified in support of clear title legislation in the farm bill. Mr. Jackson testified of the need for a strong export title, and endorsed the exploration and implementation by the Federal Government of a range of export promotion programs.

Keith Probst, President of the Colorado Farm Bureau Association, presented the American Farm Bureau's positions; namely, farm programs that ensure price competitiveness and reduce the incentives to overproduction at home and abroad.

Benny Bunting, a poultry farmer from North Carolina and a member of the United Farmers Organization, talked about the effect that integrators are having on operations like his own.

Dairy

On Friday, March 22, the full Committee held a hearing on dairy issues.

Norman Barker, President of the National Milk Producers Federation, asked for a dairy pricing index to establish support prices, and testified in favor of a dairy diversion program and a promotion program.

Peter Curra of the Maine Farm Bureau Federation presented the Farm Bureau's position that would have the price support adjusted according to market signals and government purchase levels.

Bucky Jones of Dairymen, Inc., stated his opposition to a dairy diversion program. He said dairy policy must recognize the differences in the industry in different regions of the country; the new dairy program, he suggested, should be market oriented with a safety net and include a trigger mechanism based on government purchases and should recognize changes in productivity. His testimony was echoed by E.L. Buckner of the Alabama Farm Bureau Federation.

A panel consisting of Linwood Tipton, Executive Vice President of the Milk Industry Foundation and International Association of Ice Cream Manufacturers, Siert Riepma, President of the National Association of Margarine Manufacturers, and Ellen Haas, Executive Director of Public Voice for Food and Health Policy, supported a milk price support program that would eliminate or minimize government purchases. They also testified against allowing the government to give away dairy surpluses in a manner or amount that interferes with commercial sales, and supported a price support that would bring supply and demand into balance.

Honorable Robert Kasten, Senator from Wisconsin, said dairy policy ought to move toward market-orientation in a way that will eliminate any abrupt shocks to the industry. He said it would include methods to allow small and mid-size farmers to adopt the new technologies, and said the milk marketing order system needs to be revamped.

Irvin Elkin, President of the Associated Milk Producers and Lloyd Patterson, President of the Green Mountain Federation, supported the position of the National Milk Producers Federation favoring a dairy diversion program.

Clyde Rutherford, President, Dairylea Cooperative, supported the creation of a dairy-specific parity. He was supported by Fred Duoma, Chairman of the California Milk Producers Council, who also said the current purchase program should be maintained.

Dan Hollingsworth, a producer from San Jacinto, California, presented his idea for a no net cost self help dairy program, in which the government would control purchases of milk by subsidizing the slaughter of dairy cows.

Dr. Robert Cook of Michigan State University and Dr. Ronald Knutson of Texas A&M University both talked about the tremendous production increases coming in dairy due to new technologies. Dr. Knutson supported continued authorization of a diversion program.

Richard O'Connell, President of the Chocolate Manufacturers Association, Robert Anderson, Executive Director of the National Cheese Institute and the American Butter Institute, and Donald Randall, Executive Vice President of the National Independent Dairy-Foods Association, supported a more market-oriented dairy policy. Specifically, they endorsed reductions in the price support until supply and demand are brought into balance.

Feed grains

On Monday, March 25, the full Committee held a hearing on feed grain issues.

Honorable Larry Pressler, Senator from South Dakota, testified in favor of S. 250, which he introduced. The bill proposes a tiered price support program. Such an approach, he said, along with a $20,000 payment limitation, would effectively target Federal benefits to smaller farmers.

He also suggested a limit on the amount of grain going into the loan program, and supported a strong "sodbuster" provision.

Mr. James Provan, a member of the European Parliament from Perth, Scotland, said the European Community has taken steps to reduce its farm spending and balance supply and demand more effectively. He claimed the EC has begun to decrease its exports, and said he expects the Community to further reduce price supports to decrease production. He pointed out that the EC is the best export customer for U.S. products, and called for the two sides to continue negotiations, honor GATT agreements, and avoid a trade war.

John White, President of the Illinois Farm Bureau Federation, testified in support of the American Farm Bureau Federation bill, introduced by Senator Mitch McConnell. The bill would set loan rates between 75 and 85 percent of a 5-year market average, excluding the high and low years, and limit adjustments to 10 percent in any 1 year. Target prices would be set at 110 percent of the 5-year market average excluding the high and low years, with annual adjustments limited to 5 percent.

The bill provides for a $50,000 payment limit, elimination of the farmer-owned reserve, a sodbuster provision, activation of the Export Credit Revolving Fund, and acreage reduction programs that are triggered when carryover levels exceed specified limits.

Varel Bailey, President of the National Corn Growers Association, supported a 3-year freeze for loan rates and target prices, after which loans would be based on 100 percent of the 5-year market average, excluding the high and low years, and target prices would be adjusted no more than one-half of the loan rate adjustment. He supported a long-term conservation reserve and opposed payment limitations.

Jack Gray, a dairyman and farmer from Ralston, Oklahoma, testified in support of a mandatory production control program with support prices set at 90 percent of parity.

Janice Garrett, Feed Grains Commodity Chairwoman of the National Women Involved in Farm Economics, called for support prices set high enough to cover costs of production. She supported a recourse loan policy that would act only as a cash flow device and not as a price protection device.

David Johnson of Rovid Farms in Hector, Minnesota, endorsed a two-price system which would differentiate between domestic and export policy issues. He called for price supports to be raised to a level which relates to the business environment in which farmers must operate.

Soybeans

On Wednesday, March 27, the full Committee held a hearing on soybean issues.

The following three groups testified: the American Soybean Association, the American Farm Bureau Federation, and the Alabama Farm Bureau State Soybean Committee.

All three groups unanimously supported the continuation of the present soybean loan program with the floor of $5.02 retained. There was further consensus against implementation of acreage controls, marketing quotas, target prices, deficiency payments and a soybean reserve.

Roger Asendorf, President of the American Soybean Association, emphasized the need for a pro-trade soybean policy using credit as a tool through which the American soybean producers could recapture their former share of the world market. Specifically, ASA testified in favor of traditional credit such as GSM–102 guarantees and GSM–5 credits. In addition, they advocated a new program to provide export credit with 3–10 year repayment terms for countries which cannot meet GSM–102 terms but do not qualify for P.L. 480 donations. The Food for Peace program should be made available to countries with no other recourse.

John Sharp, Chairman of the Alabama Farm Bureau State Soybean Committee endorsed an export PIK program using Commodity Credit Corporation surplus commodities, countervailing duties on products from nations which employ predatory export practices, and elimination of cargo preference.

Wheat

On Thursday, March 28, the full Committee held a hearing on wheat issues.

Both Henry Neshem, President of the National Association of Wheat Growers, and Sam J. Darwin, Chairman of the Alabama Farm Bureau State Wheat and Feed Committee, endorsed continuation of current law with loan rates set at $3.30 per bushel and target prices set at $4.38 per bushel.

Doyle D. Rahjes, representing the American Farm Bureau Federation endorsed target prices set at the present level but advocated that loan rates be set at 75 percent of a 5-year average of domestic prices excluding the high and low years and with no more than a 10 percent adjustment from year to year.

Robert Wager, President of the American Bakers Association, in conjunction with the Independent Bakers Association and the Retail Bakers Association, supported adaptation of the soybean loan formula to wheat and a phase-out of target prices over the next 4 years.

V.B. Morris, National Secretary of the American Agriculture Movement, suggested that loan rates be set at not less than 70 percent of parity for 1986, increasing 2 percent annually throughout 1996. Rates would remain at 90 percent parity thereafter.

Marsha Jones, Wheat Chairman of the National Women Involved in Farm Economics (WIFE) called for target prices and loan rates set at not less than 75 percent parity.

Walter Adams, a farmer-rancher from Sharon, Oklahoma, and George D. Levin, Chairman of the Board of the Independent Stockgrowers of America were both critical of the free market approach. The I.S.A. testified in support of 100 percent parity for all agricultural commodities. According to the proposal, each producer would be paid the difference between the average market price for the year and the target price with participation on a voluntary basis.

In regard to exports, there was a general consensus for an exemption of certain vessels from cargo preference. Furthermore, the group approved of continuation of the P.L. 480 program and suggested various options such as CCC export credits and an export PIK program.

Cotton

On Friday, March 29, the full Committee held a hearing on cotton issues.

Samuel B. Hollis, President of the National Cotton Council, representing producers, ginners, seed crushers, warehousemen, merchants, cooperatives, and textile manufacturers, essentially favored a market-oriented program that differs very little from the 1981 farm bill's cotton title. Mr. Hollis testified that two problems need to be addressed before any farm bill is passed; the greatly overvalued dollar and the drastic increase of cotton and textile production in China, which have hindered the effectiveness of the 1981 cotton title. Various key points were emphasized through the resolutions unanimously adopted by the National Cotton Council:

(a) opposition to payment or price-support loan limits;

(b) agreement that deficiency payments be based on permitted acreage—not planted acreage;

(c) agreement that diversion be a percentage of base acres rather than of planted acres; and

(d) agreement that existing method for the cotton loan rate determination be continued.

Other regional and producer groups in general agreement with the National Cotton Council were Dixie Yarns, Inc., the American Textile Manufacturers Institute, the Southern Cotton Growers, Inc., Delta Council, Texas Association of Cotton Producer Organizations, and the Arizona Cotton Growers Association.

Hugh Arant, representing the American Farm Bureau Federation, presented proposals featuring continuation of the present system of loan rates, target prices, and the export credit program as well as emphasis on the export title and support for an export bonus program.

According to Peter F. Diffly, President of the American Cotton Shippers Association, the 1981 Farm Bill should be modified in order to discontinue the minimum loan concept. Target prices should be retained, but related to the price support loan—a level of 120 percent.

Raymond Marsh, Chairman of the Alabama Farm Bureau State Cotton Committee and Dan Logan, Jr., President of the Louisiana Cotton Producers Association both favored continuation of the target price system with extension of current price levels.

Rice

On Monday, April 1, the full Committee held a hearing on rice issues.

Chip Morgan, Executive Vice President of the Delta Council, representing rice producers in the Mississippi Delta area, supported a continuation of the CCC loan program and target price mechanisms. In addition, the Council strongly advocated the identification and correction of the deficiencies of USDA agricultural export programs.

The program presented by David Senter, National Director of the American Agriculture Movement, included a loan rate at or near the cost of production (preferably at 70 percent of parity with a 36 month term), mandatory supply management, a "true" reserve, disallowance of imports below the cost of production, utilization of export subsidies, and a limitation of $20,000 on the tax write-off for nonfarm income.

Charles Mathews, of the Butte County Rice Growers Association, supported a market-oriented program, which would include proposals within the framework of the existing farm program. He supported a target price at 90 percent of "total economic U.S. rice production cost", (decreasing from current levels at no more than 10 percent per year), a monthly adjusted loan rate set at 85 percent of the market average of the preceding 2 years, commodity loans with no attached limits, a $50,000 payment limitation, acreage reduction controlled by the Secretary of Agriculture, separate loan/target levels on the basis of class, and a mandatory export program provision.

Mr. Dale V. Hunt, Chairman of the Five-State Rice Producers' Legislative Group which represents the five major rice producing States (Arkansas, California, Louisiana, Mississippi, and Texas), testified in support of the following specific recommendations:

(a) target price and loan rate at 1984/85 levels;

(b) continuation of program acreage provisions except change the announcement date to November 1;

(c) mandatory trigger of an Acreage Limitation Program as provided in the Agricultural Programs Adjustment Act of 1984;

(d) basic payment rate for land diversion of $3.00 per hundredweight, and an increase to $3.50 per hundredweight if the estimated carryover exceeds 40 million hundredweights;

(e) opposition to payment limitation;

(f) restriction on CCC sales; and

(g) restrictions on importation of rice.

Hugh M. Arant, President, Mississippi Farm Bureau, representing the American Farm Bureau Federation, supported a proposal for the rice industry which provides for market-orientation, continued assistance in the form of target prices, and expansion of export markets.

An aggressive report policy was strongly encouraged by R. E. McCann, Jr., President of the Rice Millers' Association as well as restrictions on imports that adversely affect CCC price support programs. He also expressed opposition to a reduction in the $50,000 payment limitation, implementation of a recourse loan, and the addition of a cap on loan benefits.

Sugar, Honey, and Wool and Mohair

On Tuesday, April 2, the full Committee conducted a hearing on sugar, honey, and wool and mohair issues.

The Honorable Daniel K. Inouye and the Honorable Spark M. Matsunaga, both of Hawaii, supported continuation of a strong sugar program because it is essential to the surival of the sugar industry. Senator Inouye specifically endorsed the sugar provisions in S. 616 which extend the non-recourse loan rate for sugar at the 1985 level of 18 cents a pound. He opposed the Administration's proposals to drop the sugar loan rate from 18 cents a pound in 1985 to 12 cents a pound in 1986 and cap nonrecourse loans at $200,000 per producer.

The sugar and sugarbeet growers and processors were in general consensus as they highly recommended the continuation of the sugar program with current loan rates. The following groups presented testimony in support of maintaining the current program and opposition to the proposals offered by the Administration:

> The Hawaii Sugar Planters' Association, the California and Hawaii Sugar Company, the Florida Sugar Cane League, the American Sugar Can League, the Corn Refiners Association, Inc., the Holly Sugar Corporation, the Texas Sugarbeet Growers Association, the California Beet Growers Association, the Minn-Dak Farmers Cooperative, the American Sugarbeet Growers Association, the Idaho Sugarbeet Growers Association, and the International Longshoremen's and Warehouseman's Union.

The Sugar Users Group (SUG), a coalition of trade associations which includes the Milk Industry Foundation, the International Association of Ice Cream Manufacturers, the National Soft Drink Association, the American Bakers Association, the Chocolate Manufacturers Association of the U.S.A., the Biscuit and Cracker Manufacturers Association, and the National Confectioners Association; support an equitaable, market-oriented sugar program designed to promote the development of new markets for agricultural products. The group endorsed reduction of loan levels to 13 cents for the 1985–86 crop year, with further reductions over the following 3 years by 3 cents, 1 cent, and 1 cent respectively. SUG also recommended elimination of import quotas on sugar. Furhermore, the Retail Bakers Association, the United States Cane Sugar Refiners' Association, Public Voice, Ambrosia Chocolate Company, and Van Leer Chocolate Corporation asked for reforms in the current sugar policy by reducing the sugar price support.

The American Farm Bureau Federation announced its support for continuation of the current sugar program and the National Wool Act of 1954, as amended. The Federation also expressed necessity for a honey program, and is currently evaluating proposals to amend the program.

The Philippine Sugar Commission supported provisions that all sugar quotas be given to friendly developing countries who are net exporters of sugar, thus giving the Philippines a most favored nation status pertaining to sugar sales to the U.S.

The International Sugar Policy Coordinating Commission opposed continuation of current law and the Administration's proposal.

The Group of Latin-American and Caribbean Sugar Exporting Countries endorsed sugar legislation oriented toward freer trade and an international agreement on sugar which would be effective in guaranteeing a reasonable price for the producer and a fair price for the consumer.

Dr. John T. Ambrose, state apiculturist for North Carolina State University, favored maintaining a temporary honey loan program; replacing parity with a loan guarantee. He supported instituting an investigation by the International Trade Commission on the effects of honey imports on the domestic beekeeping industry. Dr. Ambrose also asked for transitional support of the beekeeping industry in the form of a honey loan program as well as an increase in promotional efforts included in the "Honey Promotion, Research, and Consumer Information Act."

The American Beekeeping Federation opposed the Administration's proposals to eliminate the honey program and Senator Helms' proposal to convert to a "market-oriented" program. The Federation favored continuing the honey program, limiting imports by increasing tariffs and appropriate quotas.

The National Wool Growers Associaton, Burlington Industries, the American Textile Manufacturers Institute, sheep producer Fred Eagleson, Sammen Sheep Farm, and Southwest Wool and Mohair favored maintaining the Wool Act, as presently written, due to its effectiveness and the fact that it is not funded at taxpayers expense.

Peanuts

On Wednesday, April 3, the full Committee held a hearing on peanut issues.

The Honorable Mack Mattingly, Senator from Georgia, testified in support of the present peanut loan program.

Several witnesses favored the position of the National Peanut Growers Group, which supported a continuation of the current peanut program with minor modifications. The group also expressed opposition to the Administration's proposals for the peanut program as contained in S. 501. The North Carolina Peanut Growers Association, the Georgia Peanut Producers Association, the Southwestern Peanut Shellers Association, the Oklahoma Peanut Growers Association, and the Southern Peanut Warehouseman's Association all endorsed the following legislative recommendations made by the National Peanut Growers Group:

(a) National poundage quota increase for 1986 from 1.1 to 1.3 million tons;

(b) Quota production requirement for 2 out of each 3-year period;

(c) Equalization of penalties for handlers and growers at 140 percent of the quota support rate; and

(d) Replacement of quota support rate formula allowing adjustment based on a 3-year moving average (of domestic edible prices).

The American Farm Bureau Federation, represented by Robert L. Nash, supported continuation of the present program with changes affecting the minimum quota support price and the national poundage quota. An increase in export trade expansion was also supported.

Additional statements in favor of the present price support program were made by the American Agriculture Movement of Virginia as well as the Southeastern Peanut Association. (The Southeastern Peanut Association made several specific recommendations relating to deletion of the "buy-back" provision, opposition to minimum contract price for additional peanuts, and elimination of present physical supervision.)

The Western Peanut Growers Association recommended that a transition be made toward a free-market concept achieved through gradual changes afforded by law.

The American Peanut Product Manufacturers, Inc., the Chocolate Manufacturers Association, Palmer Candy Company, and Lance, Inc., opposed the current quota and two-tier pricing system and advocated a move toward market-orientation.

Exports

On Thursday, April 4, the full Committee met to hear testimony from witness on export and Public Law 480 issues.

Leadoff witness Honorable Dan Quayle, Senator from Indiana, testified on behalf of the Agricultural Trade Enhancement Act of 1985, which he introduced.

He said the provisions of his bill include the establishment of an interdepartmental agricultural trade committee; identifying the subsidized commodities and determining how to counter such subsidies; providing intermediate length loans to qualified countries; and strengthening existing contract sanctity laws which prohibit the use of embargoes on farm products for longer than 60 days without Congressional approval, except in times of war.

Senator Qualye emphasized the importance of reducing the Federal deficit so interest rates can fall, and also said he supports movement toward a market-oriented farm policy.

Dr. Kenneth Bader, Chairman of the National Commission on Agricultural Trade and Export Policy, called for a more aggressive export expansion program in the areas of credit and countering unfair trading practices. He recommended the exemption of all agricultural exports from cargo preference provisions.

R.W. Fischer, President of Saypro International, recommended the expansion of food aid and supported the use of local currencies in food aid programs.

A panel composed of Henry Voss, President of the California Farm Bureau, Rich Pennell, of the National Association of Farmer Cooperatives, and J. Stephen Gabbert of the Rice Millers' Association, supported continuation of P.L. 480, the use of CCC stocks for export incentives, and strong measures to counter unfair export subsidies of other countries.

Representives of the Cooperatives League of the USA, CARE, Oxfam America, and World Vision Relief Organization testified in support of expanding the Food for Peace program, providing for monetization of both title II and section 416, increases in minimum tonnage, and multi-year agreeements.

Representatives of the American Soybean Association, the National Soybean Processors Association and the National Cotton Council supported continuation and strengthening of the GSM credit programs, reauthorization of the export credit revolving fund, and the need for strong export programs to counter unfair trade practices.

Conservation

On Monday, April 15, the full Committee held a hearing on conservation issues.

Among the witnesses were: The Honorable John Evans, Governor of Idaho, representing the National Governors' Association's Committee on Agriculture; the National Association of Conservation Districts; the Soil Conservation Society of America; the International Association of Fish and Wildlife Agencies; the Southern Iowa Resource, Conservation and Development; the American Forestry Association; the National Association of State Foresters; the American Farmland Trust; the Sierra Club; the National Audubon Society; the Natural Resources Defense Council, Inc.; the Chesapeake Bay Foundation; the Ohio Wildlife Management Association; the American Farm Bureau Federation; the American Agriculture Movement; and, the National Association of Farmer Elected Committeemen.

There was widespread agreement amoung the witnesses on the need for a long term conservation reserve and for inclusion of a strong sodbuster provision in the farm bill. Specific proposals include a conservation reserve of 30 to 50 million acres of land adequately covered with soil-conserving vegetation, 10-year contracts on acres entered into the reserve, and government compensation to farmers for acres idled (possibly through a bidding process).

In regard to the sodbuster provision, several witnesses spoke in favor of a reduction of the period of time during which producers would be exempted by a grandfather clause from the provision. In addition, many witnesses were critical of USDA's current Land Capability Class System used to define highly erodible land for sodbuster purposes and proposed adoption of the Universal Soil Loss Equation instead.

Research

On Monday, April 15, the full Committee held a hearing on research and extension issues.

Dr. Bernard Liska, Dean of Agriculture, Purdue University, told the Committee that the United States has fallen behind other countries in after-harvest technology which involves product processing and utilization. He urged the Committee to increase research and development funding in such areas, and to encourage USDA to incorporate food science and technology research in its external programs.

Peggy Wheeler of the National Center for Appropriate Technology supported the need for research into the impact of structural changes on agricultural policy and the structure of agriculture. She urged the adoption of a Center for Appropriate Technology transfer for Rural Areas for resource management technologies.

Representatives from the University of Georgia, the Tennessee Valley Authority Office of Agriculture and Chemical Development, the National Cotton Council and the American Home Sewing Association spoke on behalf of an increased emphasis on technology development, saying it is an important component in the drive to maintain U.S. competitiveness in agriculture.

Agribusiness

On Thursday, April 18, 1985, the full Committee heard testimony on agribusiness issues.

William S. Armfielld, President of the National Fertilizer Solutions Association proposed eradication of the target price support system. The U.S. Chamber of Commerce, the National Grain Trade Council, and the American Feed Industry Association concurred with this proposal but also suggested an alternative program with increased support aimed at small to medium-sized farmers during the transition from strict government controlled production. Furthermore, these groups endorsed a restructuring of non-recourse loans. Specifically, the National Grain Trade Council testified in support of basing loan rates on a moving 5-year average of market prices, dropping the high and low years.

Ron Johnson and G.W. Garrett, representing the Fertilizer Institute, in concurrence with several other witnesses, advocated continuation and expansion of current CCC export initiatives such as the GSM-102 guaranteed loans, GSM-105 loans, and the GSM-301 loan and the blended credit program. The P.L. 480 program was also lauded as an efficient means of export promotion.

Lowell Flaat, representing the Grand Forks North Dakota Chamber of Commerce, disagreed with the Administration's proposal to reduce deficiency payments from the present $50,000 to $20,000 in 1986, $15,000 in 1987, and $10,000 in 1988. William McFarlane, California Farm Policy Committee, cited reduction of the deficit as the number one priority in Congress in order to stabilize the value of the U.S. dollar and improve trade conditions.

Sherwin Gardner, Grocery Manufacturers of America, announced the need for national uniformity in the regulation of the safety of pesticides in or on food.

Agricultural credit

On Wednesday, April 24, the full Committee held a hearing on agricultural credit issues.

Honorable Dale Bumpers, Senator from Arkansas, urged the Committee to reject the proposals to eliminate the direct FmHA loan program and to impose user fees on the Farm Credit System. He strongly opposed the proposals which would charge a user fee on Farm Credit System funding to begin in fiscal year 1986, stating that the user fee is simply a penalty.

The Honorable Frank W. Naylor, Under Secretary of Agriculture for Small Community and Rural Development clearly stated the early and continuing efforts of the Administration to address the credit needs of the 12 percent of the Nation's farmers served by the Farmers Home Administration.

The Governor of the Farm Credit Administration, Donald E. Wilkinson, emphasized the fact that the Farm Credit Administration needs adequate enforcement authorities which can be utilized before problems become so severe that System institutions are unable to recover. The FCA needs the tools it has requested to do its supervisory job properly.

Dale L. Locker, Director, Ohio Department of Agriculture, highly recommended a Federal linked deposit program which would utilize U.S. Treasury funds for farm debt relief. He also favored operating the Farmers Home Administration (FmHA) by State Departments of Agriculture under guidelines and funding at the Federal level. In addition, Mr. Locker voiced support for the continuation of tax-exempt industrial revenue bonds for agriculture to reduce high capital cost barriers and allow States to target capital assistance to qualified users in the agricultural sector.

Alan Tubbs of the American Bankers Association said the Government's role in agriculture needs to be reduced. He urged additional emphasis on export incentives for farm commodities verus the heavy reliance on internal supply controls. He asked the Committee to give serious consideration to an agricultural secondary mortgage market for commerical banks. The ABA supports the movement by USDA to move FmHA from direct loan programs to a guarantee loan program, he said that procedures must be modified for more expeditious payment with fewer complicating restrictions in order to resolve the lack of confidence regarding the collection of the FmHA guarantees in the event of default. ABA also favors USDA and Congress reducing the subsidized interest rates to FmHA direct borrowers.

Melvin Todd, Member, Board of Directors, Farm Credit Council, expressed the Council's recommendation for a bold approach to address the problem of the precipitous decline in farm asset values by forming a federally chartered corporation that would purchase real property directly from financially distressed farmers who are in need of restructuring their farming operation and, in addition, purchase inventoried property from lenders. The Council believes that this Agricultural Conservation Corporation would go a long way towards remedying the agricultural credit problems.

In addition, the Farm Credit Council supported Senator Zorinsky's bill (S. 466) with minor modifications. (S. 466 raises important issues relating to the role and regulatory powers of the Farm Credit Administration.) The Council opposed S. 744, relating to farm products liens because of the fact that it does not establish a workable mechanism by which prospective buyers can obtain notice of outstanding liens. Finally, the Council endorsed amending the eligibility requirements by which the System's Banks for Cooperatives finance rural utilities.

The American Farm Bureau Federation was represented by Dick Johnston of the Missouri Farm Bureau Federation. Mr. Johnston said the short-term credit problems need attention, and recommended changing the disaster loan program and continuing the direct and guaranteed loan programs. The AFBF also enthusiastically supported S. 744 (farm products liens).

The recommendations of the American Agriculture Movement, presented by Corky Jones, included rescheduling the farm debt on a case-by-case basis to allow the operation to meet cash-flow requirements necessary to continue operation. Mr. Jones supported establishing the terms of the loan (20 year maximum) by a county committee which will be elected by farm operators in a county referendum and shall be a functioning loan committee of no fewer than 5 people.

Rollie Lake, President, Communicating for Agriculture (CA) offered a farm credit proposal with three parts:

(a) Individual farmer accounts (IFAs)—tax credits for farmers who help stabilize their income by deferring income from good years to bad;

(b) A pilot program of crop price insurance—expanding all-risk crop insurance to reduce farmers' price risk; and

(c) A special modified debt recovery program—a loan program to help farmers who are proven good risks, but lack resources.

General agriculture and consumer issues

On Thursday, April 25, 1985, the full Committee held a hearing on general agriculture and consumer issues.

The Honorable John Glenn, Senator from Ohio, emphasized a long-term strategy to balance supply and demand and return profit to agriculture. He outlined a proposal for a $100 million, 5-year research program to develop nonfood uses for food commodities in his Agricultural Commodity Uses Research Act of 1985.

Representing the New York State Department of Agriculture, Commissioner Joseph Gerace supported a long-term dairy price support program with a continuation of dairy import quotas. He also favored inclusion of the deductibility of State and local taxes from the Federal farm income tax.

The Honorable Hal Daub, Representative from the 2nd Congressional District of Nebraska, outlined his bill, the Agricultural Trade Food and Fiber Act of 1985, which would focus on export policies, initiate flexible price supports, and amend the tax laws.

The Honorable John W. Warner, Senator from Virginia, supported movement toward a market-oriented farm economy, the necessity for a stronger and more extensive export program, and the restoration of a measure of profitability to farming.

Daniel G. Huber representing the National Grain and Feed Association testified in favor of eliminating programs that artificially support prices and hold U.S. grain off the market. This type of policy adjustment would encompass loan rate policy, land diversion, and reserve.

Wesley F. Hayden, representing the International Association of Fish and Wildlife Agencies endorsed recommendations including integration of conservation features into all commodity programs, elimination of Federal farm benefits to those who would convert any existing noncropland into production, and establishment of a long-term conservation reserve.

Thomas J. Trantham, a South Carolina dairy farmer, representing the United Farmers Organization, expressed the need for a moratorium on farm foreclosures and forced liquidations for a minimum of 3 years, a limitation on the amount of farm products and livestock grown, and a set floor price for each farm product.

George B. Watts, President, National Broiler Council, endorsed the principle of a market-oriented agriculture policy and commended both the Administration and Chairman Helms for their market responsive farm bill proposals.

John D. Craig, accompanied by the John C. Butler family, a farm family from Indiana, strongly supported a proposal which would price American agricultural products on the basis of cost of production plus a modest margin of profit. The Butlers called for the establishment of an American Agriculture Board to annually determine the floor price of domestic agricultural products as well as a 2 tier pricing approach.

Dr. Charles R. Botticelli of GTE Laboratories offered full support for the market-oriented proposals in Chairman Helms' bill. Specifically, he endorsed one section of that bill which redirects a portion of existing agriculture research funds to allow and encourage participation of the private sector in agricultural technology research through a new matching grant program.

Most Reverend Ignatius J. Strecker, representing the U.S. Catholic Conference and the National Catholic Rural Life Conference, discussed 3 problems in farm legislation: (a) malnourishment in the Third World countries despite abundant crops worldwide, (b) a malfunctioning international food system, and (c) disarray in the U.S. food system.

The Reverend Kenneth Wittrock, representing the Lutheran Council in the U.S.A. expressed concern for agricultural policies to foster growth in the export market, to offer short term farm debt relief, and to give equitable access to and widespread distribution of farmland and other production assets.

Analysis of agriculture policy options

On Wednesday, May 1, the full Committee held a hearing to examine the policy options for the 1985 farm bill.

Testifying were Dr. D. Gale Johnson, University of Chicago; Dr. Marvin Duncan, Federal Reserve Bank of Kansas City; and John Schnittker, Schnittker Associates.

Dr. Johnson stated that a continuation of the present policy and programs will only worsen the critical economic situation in agriculture.

He believes that much of the current problem is due to high support prices which encourage production, coupled with ineffective supply management programs.

The move to mandatory production controls would be even more damaging to the interests of farmers.

So the only option, he said, is movement toward market orientation. Such a move, though, must include trade liberalization, and a discontinuation of export subsidies.

Dr. Duncan pointed out the fact that farm legislation cannot solve all of agriculture's ills; that market clearing farm commodity prices are not only critically important signals to foreign producers and buyers but also an indication to U.S. producers of the challenge ahead; and that new farm legislation must spend public resources more effectively.

So, he said, the real issue is not if, but rather when and how, farm policy will become more market oriented. That transition to market orientation must be made with consideration given to the fragile financial circumstances of many farmers and agribusinesses.

Mr. Schnittker said it is necessary to reduce loan rates to give farmers a better chance in world markets, and endorsed the concept of a formula based on a percentage of market prices.

He also said the question of reducing payments to big farmers was an important question. He endorsed reducing the payment limit to $25,000, since large farms generally have access to low cost inputs and highly productive technologies.

He pointed out the importance of increasing exports, and said that export credit programs and lower loan rates would accomplish that goal more effectively that various trade expansion programs like export payment-in-kind and bonus programs.

Committee consideration—markup

Committee markup included consideration of 9 major farm bills and numerous other related bills. The major farm bills included in the Committee's consideration were: S. 616, introduced by Senator Helms; S. 501, the Administration's bill introduced by request by Senator Helms; S. 843, introduced by Senator Cochran; S. 908 introduced by Senator McConnell; S. 1036, introduced by Senator Heflin; S. 1041, introduced by Senators Boschwitz and Boren; S. 1051, introduced by Senators Zorinsky, Exon and Harkin; S. 1083, introduced by Senators Harkin, Zorinsky, Exon and Sasser; and S. 1119, introduced by Senator Melcher.

Other bills considered by the Committee included S. 42 (Senator Quayle), S. 171 (Senator Boschwitz), S. 1040 (Senator Cochran), S.

1049 (Senator Wilson), all dealing with agricultural exports; S. 1050 (Senator Dixon), which addressed exports and conservation programs; S. 250 (Senator Pressler), dealing with the wheat, feed grains, cotton and rice programs; and S. 1069 (Senator Leahy), amending the dairy price support program.

The Committee met to begin marking up the farm bill on Tuesday, May 14. After opening statements by Senators present, the Committee turned to the export title.

Eight markup sessions were held on the export title: May 14, 15, 16, 21, 22, and June 4, 5, and 6. During consideraton of the title, seven roll call votes were taken. Those roll call votes and a detailed summary of committee action on the export title are detailed elsewhere in this report.

On Tuesday, June 11, the Committee met to begin marking up the commodities titles of the bill. The Chairman first provided time for each Senator who had introduced a farm bill to explain the specifics of his own bill and the rationale for the changes each proposed. In his opening statement, Chairman Helms challenged the Committee to write a bill with the following components: loan rates which would allow U.S. producers to be competitive; a safety net for farm income during a transition to market orientation; targeting of benefits to small and moderate size family farms; strong soil and water conservation measures; a strong export title; and a bill consistent with the budget resolution.

Following the descriptions of the bills, the Committee staff prepared a list of broad policy options taken from the various bills, and the Committee discussed these options and took several straw votes on these options.

Based on those straw votes, Committee staff prepared a list of specific proposals that was presented to the Committee. In the area of production controls, the Committee agreed that there would be a long-term conservation reserve, discretionary authority for acreage reduction programs with a limit on the maximum, and discretionary authority for a paid diversion program.

In the area of income support, the Committee agreed that target prices should continue with additional income support provided by transition payments.

The Committee agreed that it wished to target program benefits by tiering deficiency payment rates based on levels of production, continue a payment limit, and exempt transition payments from the payment limit.

The Committee discussed a staff proposal to permit the secretary to set loan rates in a range of 75 to 85 percent of a five-year moving market average price and to give the secretary discretionary authority to permit repayment of loans at a percentage of the established loan level (the marketing loan concept). On June 25, the Committee deadlocked on a 8 to 8 vote on the loan rate proposal.

On June 27, the Committee rejected 9-6 a motion to use S. 1119, the Melcher bill, as the markup vehicle for the commodities section. The Committee also voted by margins of 11-4 and 11-5 not to impose mandatory production controls on wheat (Zorinsky proposal) and not to impose mandatory production controls on certain other crops (Harkin proposal).

Upon returning from the July 4 recess, the Committee met on July 9 and temporarily laid aside the commodities titles. On that day, the Committee completed action on the research title. No roll call votes were taken, and a description of policies adopted in the conservation title are contained elsewhere in this report.

On July 11, the Committee began consideration of the conservation title. During consideration of this title, no rollcall votes were taken. A description of provisions adopted in the research title are contained elsewhere in this report.

On July 17, the Committee discussed using one of three different proposals as a possible markup vehicle for the commodities section. The three proposals included (1) S. 1083, (2) a proposal to eliminate target prices and set a high, marketing loan rate, and (3) a proposal by Senators Dole and Zorinsky. The Dole/Zorinsky proposal which was adopted as the markup vehicle, would set target and loan rates for 1986, set loan rates based on a percentage of average market prices thereafter, set target prices as a percentage of the loan thereafter, authorize a marketing loan, and provide for acreage reduction and paid diversion programs and an option for a mandatory wheat program, subject to referendum.

A detailed description of the policies adopted relating to the markup vehicle and the roll call votes are listed elsewhere in this report.

On July 25, the Committee voted 9–8 to freeze target prices for wheat and feed grains at the 1986 level, as provided in the Zorinsky-Dole proposal, for the life of the bill. On July 26, the Committee voted 10–7 to freeze the target prices for cotton and rice at the 1985 level for four years or for the same period of time as wheat and feed grains.

On July 25, the Committee began consideration of the Food Stamp title. During the final sessions prior to the August recess, the Committee made substantial progress on both the Food Stamp and credit titles of the bill.

On July 31, further action was taken on the commodities section. The Committee defeated 8–9 a motion to report out the commodities portion of the bill, freezing target prices in 1986, and for 1987, making an advance payment in dollar denominated certificates redeemable in CCC commodities equal to the difference between the 1986 and 1987 target price levels. The Committee also voted 9–8 to freeze target prices for 2 years.

Upon returning from the August recess, the Committee continued and concluded work on the Credit and Food Stamp titles. Rollcall votes and policies adopted are detailed elsewhere in this report.

On September 18, Chairman Helms proposed a package of farm bill savings options that was designed to make the bill conform to the Congressional Budget Resolution. That package would have: allowed a 5 percent annual reduction in target prices beginning in 1987; reduced the portion of the farm acreage base on which deficiency payments would be made each year; based deficiency payments on the season average price and pay 90 percent of the estimated deficiency payment at the normal time, based on the first 5 months of the market year; reduced the dairy price support level by 50 cents on January 1, 1986; reduced the 10 million acres required for the conservation reserve in 1986 to 5 million and add 10 million acres in both 1987 and 1988; required 50 percent cost sharing on the establishment of a cover crop on conservation land reserve; and reduced the intermediate export credit program from $1 billion to $500 million per year and used only credit guarantees instead of direct credit.

On September 19, the Committee rejected this proposal 11-5. The Committee then voted 10-7 to freeze target prices for 4 years and, by a 10-6 vote, ordered that the bill be reported.

SECTION-BY-SECTION ANALYSIS

TITLE I—AGRICULTURAL EXPORTS AND PUBLIC LAW 480

Subtitle A—Agricultural Exports

Intermediate export credit

Section 101(1) amends sections 4(b) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(b)). Section 4(b) provides for an intermediate export credit program under which commercial export sales of agricultural commodities stocks may be financed by the Commodity Credit Corporation (CCC) on credit terms of over 3 years but not more than 10 years. Section 101(1) of the bill authorizes the Secretary of Agriculture through the CCC to guarantee the repayment of loans under the intermediate export credit program to finance export sales of agricultural commodities.

Section 101(2) expands the purposes for which intermediate credit financing and guarantees may be made to include otherwise promoting the export sales of U.S. agricultural commodities.

Section 101(3) deletes the current requirement that agreements to finance export sales of agricultural commodities, except agreements to finance sales to establish reserve stocks, are subject to such other terms which the Secretary deems necessary and are subject only to review by the National Advisory Council on International Monetary and Financial Policies. This paragraph also deletes the current requirement that agreements to finance export sales of agricultural commodities for the establishment of reserve stocks are subject to terms the Secretary deems necessary and that no such agreement may become effective until 30 days (60 days if Congress is not in session) after a summary of the proposed agreement, along with a determination by the President that the financing is not adverse to U.S. producers of agricultural commodities, is transmitted to the Senate and House agriculture committees.

Section 101(4) redesignates certain paragraphs of section 4(b) of the Food for Peace Act of 1966.

Section 101(5) provides that the Secretary is encouraged to finance or guarantee export sales under the intermediate export credit program to purchasers from countries that are previous recipients of credit under title I of Public Law 480, purchasers from countries unable to utilize other Department of Agriculture short-term export credit programs, and purchasers from friendly countries.

Section 101(6) includes intermediate credit guarantees in the provision of current law setting forth the permissible purposes for intermediate credit financing. Section 101(6) broadens the uses of intermediate credit financing and guarantees to allow such use to meet competition for agricultural export sales (not just credit competition as under current law), to finance the importation of U.S. agricultural commodities by developing nations for use in meeting their food needs, and otherwise promoting the export sales of agricultural commodities. In addition to these purposes, the other permissible purposes for intermediate credit financing and guarantees would include (1) establishing reserve stocks consistent with international commodity agreements or other stock building plans acceptable to the United States: (2) the export sale of breeding animals including the cost of freight from the United States to other nations; and (3) the establishment of facilities in the importing nation to improve the handling, marketing, processing, storage, or distribution of imported agricultural commodities.

Section 101(7) deletes the current prohibition on the use of intermediate credit financing to encourage credit competition. Under current law, intermediate credit financing may not be used for the purpose of encouraging credit competition, or for foreign aid or debt rescheduling. The latter would still be prohibited.

Section 101(8) requires the repayment of loans financed by the CCC to be in dollars with a rate of interest determined by the Secretary. Also contracts of guarantee are required to contain such terms and conditions as determined by the CCC.

Section 101(9) includes guarantees in the provision that the Secretary is required to obtain commitments from purchasers to prevent the resale or transshipment to other nations of agricultural commodities purchased with CCC financing.

Section 101(10) includes guaranteed intermediate export sales in the provision of current law exempting export sales financed under the intermediate export credit program from the cargo preference laws.

Section 101(11) requires the CCC, for purposes of financing or guaranteeing export sales under the intermediate export credit program, to make available no less than $500 million, to the extent practicable, for fiscal year 1985, no less than $1 billion for each of the fiscal years 1986 through 1988, and no more than $1 billion for each of the fiscal years 1989 through 1991.

Short term export credit

Section 102(a) requires the Commodity Credit Corporation, when making repayment guarantees available on terms of up to 3 years in connection with export sales of U.S. agricultural commodities, to take into account the credit needs and creditworthiness of countries that are potential purchasers of U.S. agricultural exports and whether the availability of CCC guarantees will improve the competitive position of U.S. agricultural exports in world markets.

Section 102(b) requires the CCC to make available no less than $5 billion in short-term export credit guarantees for each of the fiscal years 1986 through 1989 to finance export sales of U.S. agricultural commodities and products.

Agricultural Export Credit Revolving Fund

Section 103 amends section 4(d)(6) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(d)(6), as added by section 1201 of the Agiculture and Food Act of 1981) to extend the Agricultural Export Credit Revolving Fund from September 30, 1985, through September 30, 1989.

Targeted export assistance

Sections 104(a) and 104(b) direct the Secretary of Agriculture to use at least $325 million, or an equal value of Commodity Credit Corporation-owned commodities, for each of the fiscal years 1986, 1987, and 1988, and such funds as the Secretary deems necessary, or an equal value of CCC-owned commodities, for each of the fiscal years 1989, 1990, and 1991 for export assistance only in connection with exports of agricultural commodities or products which have been adversely affected by price or credit subsidies, or unfair marketing arrangements or trading practices used by other countries in connection with their agricultural exports.

Section 104(c) directs the Secretary to provide export assistance under this section on a priority basis for the export of agricultural commodities and products for which a favorable determination has been made under section 301 of the Trade Act of 1974 (19 U.S.C. 2411).

Export sales of dairy products

Section 105(a) directs the Secretary of Agriculture to sell for export, during each of the fiscal years 1986, 1987, and 1988, at least 150,000 metric tons of dairy products owned by the Commodity Credit Corporation at prices determined appropriate by the Secretary.

Section 105(b) provides that these sales of dairy products are to be made through the CCC under existing authorities available to the Secretary or the CCC.

Section 105(c) requires the Secretary to report semiannually, through September 30, 1988, to the Senate and House agriculture committees on the volume of sales made under this section.

Use of Commodity Credit Corporation commodities for export assistance

Section 106(a)(1) requires the Secretary of Agriculture to formulate and carry out a program to provide agricultural commodities and products acquired by the Commodity Credit Corporation to U.S. exporters, users, and processors, and foreign purchasers at no cost to encourage the development, maintenance, and expansion of export markets for U.S. agricultural commodities and products, including value added or high-value agricultural products produced in the United States.

Section 106(a)(2) authorizes the Secretary in carrying out the program to use these CCC-owned commodities and products to offset subsidies and other unfair trading practices of other countries, the adverse effects of U.S. agricultural price support levels which are temporarily above the export prices offered by overseas competitors in export markets, or fluctuations in the U.S. dollar exchange rate.

The Secretary is also authorized to use CCC-owned commodities in conjunction with intermediate export credit programs conducted by the CCC for the export sale of breeding animals (including cattle, swine, sheep, and poultry), including the cost of freight from the United States to destinations overseas, and for the establishment of facilities in the importing nation to improve the handling, marketing, processing, storage, or distribution of imported agricultural commodities through the use of local currency proceeds generated from the import and sale of the U.S. agricultural commodities or products to finance all or part of the facilities.

Section 106(b) authorizes the Secretary to provide CCC-owned agricultural commodities and products to a country that does not meet the financial qualifications for export credit or credit guarantees provided by the CCC to the extent necessary to reduce the cost to such country of purchasing U.S. agricultural commodities and allow that country to meet the financial qualifications. The Secretary is also directed to review and adjust annually the amount of commodities which are provided to a country to meet the financial qualifications in order to encourage the country to place greater reliance on increased use of commercial trade to meet those qualifications.

The Committee intends that a bonus export promotion program using CCC commodities should be operated on a normal commercial basis and that government-to-government sales should be used only as a last resort. In addition, the Committee intends that bonus commodities under an export promotion program may be used to facilitate the export of any agricultural commodity or product, regardless of whether the price of the commodity is supported by a loan or purchase program.

Section 106(c) authorizes the Secretary, in carrying out the program under this section, to make green dollar export certification available to commercial exporters of U.S. agricultural commodities and products. Under such a program the Secretary is directed to make the certificates available under terms and conditions which the Secretary determines appropriate. The amount of certificates that may be made available to an exporter may be determined on the basis of competitive bids submitted by exporters or by announcement of the Secretary. The certificates could be redeemed by an exporter for CCC-owned commodities. For purposes of redeeming the certificates, the Secretary is authorized to establish values for the commodities which are different from the acquisition prices of the commodities. In addition, the Secretary is required to permit the transfer of the certifications among commercial exporters of U.S. agricultural commodities. The certificates would have to be redeemed within 6 months from the date of issuance.

Section 106(d) provides that in carrying out an export bonus program under this section, the Secretary must ensure that the program provides equal treatment to domestic and foreign purchasers and users of U.S. agricultural commodities and products in any case in which the importation of a manufactured product made, in whole or in part, from a commodity or product made available for export under the program would place domestic users of the commodity or product at a competitive disadvantage.

Section 106(d) also directs the Secretary, to the extent that agricultural commodities and products are to be made available to foreign purchasers under an export bonus program, to provide all interested foreign purchasers an opportunity to participate in the program, with priority to be given to those foreign purchasers who have been traditional buyers of U.S. agricultural commodities and products and who continue to purchase such commodities and products on an annual basis in quantities greater than the level of purchases in a previous representative period.

Section 106(d) also requires the Secretary to ensure insofar as possible, that CCC stocks of agricultural commodities and products which are provided to eligible recipients under this section, be used in such a manner as to encourage increased use and aviod displacing usual marketings of U.S. agricultural commodities and products. The Secretary is also required to take reasonable care to prevent the resale or transshipment to other countries of agricultural commodities and products whose export is assisted under this section and to prevent the use for other than domestic use in the receiving country of such commodities and products.

Section 106(e) authorizes the Secretary to provide supplemental distributions of CCC commodities and products to foreign purchasers who sell in the importing country agricultural commodities or products received from the Secretary under this section and who use the proceeds from such sales for the construction or rehabilitation of facilities in the importing country to improve the importing country's capability to handle, market, process, store, or distribute U.S. agrciltural commodities or products. Supplemental distributions under this subsection would be made with such commodities or products, in such amounts and at such times, as the Secretary considers appropriate, taking into account the extent to which the facility improvements have been made, the capability of the importing country to distribute or use additional commodities or products, and such other factors consistent with the purposes of this section as the Secretary determines appropriate.

Section 106(f) requires the Secretary to carry out the program authorized by this section through the CCC.

Section 106(g) authorizes the Secretary to issue such regulations as are deemed necessary to carry out this section.

Section 106(h) provides that the authority provided in this section is in addition to and not in place of any other authority provided to the Secretary or the CCC under any other provision of law.

Section 106(i) requires the Secretary to use at least $2,000,000,000 of CCC-owned agricultural commodities and products to carry out this section during the period October 1, 1985, through September 30, 1988.

Section 106(j) provides that the authority provided under the section terminates on September 30, 1989.

Trade negotiations and export promotion

Section 107(a) declares findings of Congress to the effect that open and fair trade is essential to world economic growth and prosperity; unfair trade practices of foreign countries have had adverse effects on exports of U.S. agricultural commodities, U.S. producers, and the international trading environment; many of these unfair trade practices have been predatory in nature and constitute gross violations of free and fair trade principles; unfair trade practices include export price subsidies, export credit subsidies, predatory marketing arrangements, and tariff and nontariff trade barriers; these unfair trade practices distort market signals, add volatility to the trading environment, increase government expenditures, inhibit economic development abroad, and discourage or prohibit imports of U.S. agricultural commodities and products; the U.S. trading system is the most open in the world, as evidenced by continuing U.S. merchandise trade deficits; all other major grain producing nations have refused to join the United States in attempts to reduce surpluses of agricultural commodities, and such nations have taken advantage of U.S. efforts by increasing production of major agricultural commodities; the United States holds and stores a disproporortionate level of supplies of agricultural commodities in time of surplus; the U.S. world market share in the case of many agricultural exports has been reduced as a result of unfair trade practices; in order to establish market oriented domestic farm policies in the United States, American producers must be assured of equity in the internaitonal trading environment; more effective rules governing international agricultural trade must be established to provide greater market access for all countries and to curb the use of export subsidies that have hindered agricultural exports of the United States and other countries; and failure to find multilateral and bilateral solutions to international trade problems, the most desirable form of trade conflict resolution, will increase the likelihood of unilateral action on the part of the United States to protect American markets and producers.

Section 107(b) declares U.S. policy to be that of (1) promoting free and active world trade in agricultural goods by negotiating with key U.S. trading partners to agree on a program to reduce or eliminate practices that are restricting international agricultural trade, and (2) reducing or eliminating U.S. restrictions on imports of agricultural goods as part of a program of mutual opening of agricultural markets by the major agricultural trading nations of the world.

Section 107(c) expresses the sense of Congress that the President should, at the earliest practicable time after the date of enactment of the bill, initiate a new round of multilateral trade negotiations with the trading partners of the United States for purposes of strengthening the General Agreement on Tariffs and Trade (GATT) to promote a more open and fair world trading system; improving the dispute settlement procedures of GATT such that industries suffering from unfair trade practices will receive more expeditious relief and that affected contracting parties will abide by the decisions reached under GATT; bringing agricultural trade issues within the purview of strengthened and more effective GATT rules and procedures; and clarifying the intent of and bringing uniformity to the interpretation of Article XVI of GATT which relates to subsidies.

Section 107(d) declares the sense of Congress that the Foreign Agricultural Service should place emphasis on funding an export market development program for value-added farm products and processed foods at a higher funding level than that provided during fiscal year 1985.

Trade consultations

Section 108(a) requires the Secretary of Agriculture to require consultation between the Administration of the Foreign Agricultural Service and the heads of other appropriate agencies and offices of the Department of Agriculture, including the Administrator of the Animal and Plant Health Inspection Service, before relaxing or removing any restriction on the importation of any agricultural commodity or product into the United States.

Section 108(b) requires the Secretary to consult with the United States Trade Representative before relaxing or removing any restriction on the importation of any agricultural commodity or product into the United States.

Section 108(c) requires the Secretary to require personnel of the Department of Agriculture who are assigned to participate in negotiations of trade agreements, trade protocols, or trade procedures with foreign governments, with respect to a specific agricultural commodity, class of agricultural commodities, or product of an agricultural commodity, to consult with the Agricultural Policy Advisory Committee and the appropriate agricultural technical advisory committee established under section 135 of the Trade Act of 1974 regarding agricultural practices and industry procedures before concluding any agreement with any foreign government on any agricultural trade matter pertaining to the agricultural commodity, class of commodities, or product.

Agricultural attaché reports

Section 109(a) requires the Secretary of Agriculture to require appropriate officers and employees of the Department of Agriculture stationed in foreign countries to prepare and submit annually to the Secretary detailed reports which (1) document the nature and extent of (i) programs in the countries that provide direct or indirect government support for the export of agricultural commodities and products and (ii) other trade practices that may impede the entry of U.S. agricultural commodities and products into the countries and (2) identify opportunities for the export of U.S. agricultural commodities and products to the countries.

Section 109(b) requires the Secretary to compile annually the information contained in such reports and to make the information available to Congress, the Agricultural Policy Advisory Committee, and the agricultural technical advisory committees established under section 135 of the Trade Act of 1974 and other interested parties.

Section 109(c) requires the Secretary and the United States Trade Representative to convene a meeting, at least once a year, of the Agricultural Policy Advisory Committee and the agricultural technical advisory committees to develop specific recommendations for action to be taken by the Federal Government and priviate industry to (1) reduce or eliminate trade barriers of distortions identified in the annual reports of the Secretary and (2) expand U.S. agricultural export opportunities identified in such annual reports.

Section 109(d) encourages the President, in consultation with the United States Trade Representative and the Secretary of Agriculture, as soon as practicable after the date of enactment of the bill, to commence negotiations with other countries to reduce or eliminate trade barriers and distortions identified in the annual reports submitted by the Secretary under subsection (a). The President is required to report to Congress on any actions taken under this provision.

Export restrictions

Section 110 amends section 1204 of the Agriculture and Food Act of 1981 to limit to direct payments the form of compensation that may be made to producers of agricultural commodities for which export controls have been imposed. Section 1204 of the Agriculture and Food Act of 1981 provides for embargo protection in the form of direct payments or loans at 100 percent of parity or a combination of both to producers of agricultural commodities subject to certain export controls.

Barter of agricultural commodities for strategic and critical materials

Section 111(a) declares findings of Congress to the effect that the Commodity Credit Corporation, General Services Administration, and Department of Agriculture have authority to barter or exchange agricultural commodities for strategic and critical materials for the national defense stockpile; from 1950 to 1973, the Department of Agriculture conducted a highly successful barter program using agricultural commodities to acquire strategic and critical materials; private commercial firms in the United States have entered into effective barter agreements with foreign governments or priviate parties in foreign countries to barter or exchange commodities and services to supplement customary commercial transactions in international markets; barter can be an effective secondary method of reducing excess supplies of agricultural commodities and adding needed strategic and critical materials to the national defense stockpile; barter can be used to help overcome certain currency exchange and balance-of-trade problems and to develop new markets for U.S. agricultural products; barter can be used to promote U.S. foreign policy interests; and several nations are potential partners in a revival of a coherent and well-managed Government barter program.

Section 111(b) amends section 4(h) of the Commodity Credit Corporation Charter Act to require the Commodity Credit Corporation, to the maximum extent practicable and in consultation with the Secretary of State, to accept strategic and critical materials produced abroad in exchange for CCC commodities. Under current law, the CCC is authorized (as opposed to required) to accept strategic and critical materials in exchange for CCC commodities.

Section 111(b) also amends section 4(h) of the Commodity Credit Corporation Charter Act to require the Secretary of Agriculture, in effecting the exchange of strategic and critical materials produced abroad for CCC commodities, to use normal commercial trade channels, avoid displacing usual marketings of U.S. agricultural commodities and products, and take reasonable precautions to prevent the resale of transshipment to other countries or use for other than domestic use in the importing country of agricultural commodities used for the exhange. The CCC is also authorized to solicit bids from and to utilize private trading firms to effect the exchange of goods.

The bill requires that the CCC be reimbursed for the CCC commodities exchanged for materials placed in the strategic and critical materials stockpile in the same fiscal year the materials are transferred to the stockpile.

Section 111(b) also amends section 4(h) of the Commodity Credit Corporation Charter Act to require the CCC, if the volume of petroleum products stored in the Strategic Petroleum Reserve is less than the level prescribed by law, to the maximum extent practicable, with approval of the Secretary of Agriculture and in consultation with the Secretary of Energy and the Secretary of State, to accept petroleum products (including crude oil) produced abroad in exchange for CCC commodities and to transfer the petroleum products, without reimbursement, to the Secretary of Energy for placement in the Strategic Petroleum Reserve.

Section 111(c) amends section 310 of the Agricultural Trade Development and Assistance Act of 1954 to require the Secretary, to the maximum extent practicable, in connection with barter activity under that Act to solicit bids from and to utilize private trading firms to arrange or make barters or exchanges for strategic or other materials.

Section 111(d) requires the Secretary to encourage U.S. exporters of agricultural commodities and products to barter such commodities and products for foreign products needed by the exporters. The Secretary is also required to provide technical assistance relating to barter activities to U.S. exporters requesting such assistance.

Export transportation of agricultural commodities

Section 112(a) provides that section 901 of the Merchant Marine Act, 1936 (46 U.S.C. 1241) and the Joint Resolution of March 26, 1934 (48 Stat. 500, 46 U.S.C. 1241-1) (commonly referred to as the "cargo preference laws") are not to apply to export activities of the Secretary of Agriculture or the Commodity Credit Corporation—

(1) under which stocks of agricultural commodities or products acquired by the CCC are made available to U.S. exporters, users, processors, or foreign purchasers for the development, maintenance, or expansion of export markets for U.S. agricultural commodities or products;

(2) under which CCC guarantees of commercial credit are blended with CCC direct credits to reduce the effective rate of interest on export sales of U.S. agricultural commodities or products;

(3) under which CCC credit or credit guarantees for not to exceed 3 years are provided by the CCC to finance or guarantee export sales of U.S. agricultural commodities or products; or

(4) undertaken for the purpose of promoting the export of U.S. agricultural commodities or products if the Secretary determines that such activities are necessary to cause such com-

modities or products to become or remain competitive under conditions prevailing in international trade.

Section 112(a) also provides that any determination made under clause (4) is committed solely to the discretion of the Secretary and is final and conclusive.

Section 112(b) provides that the bill will not limit the application of section 901 of the Merchant Marine Act, 1936, and the Joint Resolution of March 26, 1934, to export activities of the Secretary or the CCC that are carried out under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) (7 U.S.C. 1691 et seq.) or subsections (a), (b), and (c) of section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431 (a), (b), and (c)).

Section 112(c) provides that this section does not apply to any export activity undertaken to carry out any agreement entered into prior to the date of enactment of the bill.

Grants for international trade development centers

Section 113(a) authorizes the Secretary of Agriculture to establish and carry out a program to make grants to States to pay the costs of construction, employing personnel, acquiring equipment, and taking other action relating to the establishment and operation of international trade development centers or the expansion of existing international trade development centers in the United States to enhance the exportation of U.S. agricultural products and related products. The grants would be based on a matching formula of 50% percent Federal and 50% percent non-Federal funding.

Section 113(b) requires the Secretary, in making the grants, to give preference to States that intend to utilize as sites for international trade development centers land-grant colleges and universities that (1) operate agricultural programs, (2) have existing international trade programs that use an interdisciplinary approach and are operated jointly with State and Federal agencies to address international trade problems, and (3) have a communications system that can be used on an international basis to conduct conferences or trade negotiations.

Section 113(c) provides that the centers would be authorized to establish a permanent data base, through research, to address the problems faced by potential exporters, including language barriers, interaction with representatives of foreign governments, transportation of goods and products, insurance and financing within foreign countries, and collecting international marketing data. In addition, the centers could be used to locate permanent or temporary exhibits that would stimulate and educate trade delegations from foreign countries with respect to U.S. agricultural products and related products. The centers could also be made available for use by State and regional entities for exhibits, trade seminars, and negotiations involving such products and for carrying out other activities relating to the exportation of the products, as the Secretary may approve.

Section 113(d) authorizes to be appropriated such sums as are necessary to carry out this section.

Subtitle B—Public Law 480

Agricultural trade policy

Section 120(a) amends section 2 of the Agricultural Trade Development and Assistance Act of 1954 by adding to the existing statement of policy, the policies of using foreign currencies accruing under the Act to foster and encourage the development of private enterprise in developing countries, and the enhancing of food security in developing countries through local food production.

Section 120(b), recites the Congressional finding that additional steps should be taken to use the agricultural abundance produced by American farmers to relieve hunger and promote long-term food security and economic development in developing countries, in accordance with the development assistance policy established under section 102 of the Foreign Assistance Act of 1961, and to promote United States agricultural trade interests.

Sales for foreign currencies

Section 121(a) amends section 101 of the Agricultural Trade Development and Assistance Act of 1954 by adding authority for the President to enter into agreements with friendly countries for the sale of agricultural commodities to such countries for foreign currencies on terms which permit conversion to dollars for use in the programs established in new section 108 of the Act, as added by subsection (e) of section 121.

In addition, section 121(a) amends section 101 of the Act to provide that sales for foreign currencies (such currencies to be used in the program authorized in new section 108) for fiscal year 1986, and each fiscal year thereafter, must be made at an annual level of not less than the higher of:

(a) 25 percent of the aggregate value of all sales made under title I of the Act; or

(b) 500,000 metric tons.

In no event, however, can such sales exceed 50 percent of the aggregate value of all sales made under title I of the Act during that fiscal year.

The minimum annual level of sales for foreign currencies may be reduced for fiscal years 1986, 1987, and 1988 if—

(a) There is an insufficient number of approved financial intermediaries that have entered into agreements with the Secretary of Agriculture to carry out the program authorized in new section 108;

(b) There are insufficient requests for loan funds by financial intermediaries funds to utilize the foreign currencies generated by such sales; or

(c) The Secretary of Agriculture requires additional time to implement the program provided for in section 108, except that, the minimum annual level of such sales for foreign currencies for fiscal year 1986 may not be reduced below 5 percent of all title I sales made during that fiscal year. The floor under the minimum sales for foreign currencies (such currencies to be used in the program authorized in section 108) increases to 10 percent for fiscal year 1987 and 15 percent for fiscal year 1988.

Agreements for sales for foreign currency (such currency to be used in the program authorized in section 108 of the Act) may not be entered into the extent that such agreements would generate currency that could not be productively used and absorbed in the private sector of the purchasing country.

Section 121(a) also specifies that agreements for sales of agricultural commodities for foreign currencies (such currencies to be used in the program authorized in new section 108 of the Act) will be made on such terms and conditions as are specified in the sales agreements.

Section 121(b) amends section 103 of the Agricultural Trade Development and Assistance Act of 1954 to make conforming amendments necessary to incorporate the new authority added to the Act by sections 121(a) and 121(b). Specifically, section 103(b) of the Act is amended to permit any credit sale entered into under title I to include provision for payment in foreign currency for use in the program authorized in section 108. This does not preclude the President from entering into agreements providing solely for sales for foreign currencies, the proceeds to be used in the program authorized in section 108, if it is more desirable to do so. Sections 103(d) and 103(n) of the Act are also amended to delete specific references to sales agreements for dollars on credit terms, so that these sections will apply to all types of sales now authorized under title I.

Section 121(b) also amends sections 103(m), 103(p), and 103(q) of the Act to clarify that the requirements in those sections pertaining to the convertibility of foreign currencies are inapplicable to foreign currencies received for use in the program authorized in section 108. Section 103(m) of the Act is also amended to require that foreign currency acquired for use under section 108 of the Act will be converted to dollars pursuant to a schedule for conversion established in the commodity sales agreement. The schedule must provide for conversion to dollars beginning no later than 10 years after the date of the last delivery of commodities under the sales agreement, and be completed no later than 30 years after the date of the last delivery. As was noted previously, the sales agreement must establish a schedule for conversion of the foreign currency to dollars, but need not specify the exchange rate for the conversion.

Section 121(c) broadens section 105 of the Act to provide that the foreign currencies received under the operation of the Act can be used in the program authorized in section 108.

Section 121(d) amends section 106(a) of the Act to provide that the terms of payment for sales for foreign currencies (the proceeds of which are to be used in the program authorized in section 108 of the Act) may be on such terms as are agreed upon in the agreement.

Private enterprise lending

Section 121(e) adds a new section 108 to the Agricultural Trade Development and Assistance Act of 1954 as follows:

Subsection (a) of section 108 contains definitions applicable to terms used in section 108.

Subsection (b) of section 108 gives authority to the Secretary to enter into agreements with financial intermediaries, under which the Secretary would lend the financial intermediary located or operating in a developing country foreign currency earned from commodity sales to that country. The foreign currency available for lending is limited to currencies generated from sales agreements entered into after the date of enactment of the Agriculture, Food, Trade and Conservation Act of 1985. The purpose of such lending is to foster and encourage the development of private enterprise institutions and infrastructure as the base for increasing the production of food and related goods and services within the developing country.

Subsection (c) of section 108 provides that, in order to obtain a foreign currency loan from the Secretary, a financial intermediary must enter into an agreement in which it agrees to make loans to private individuals, cooperatives, corporations or other entities at reasonable rates of interest for the purpose of financing—

(a) Productive private enterprise investment within the country;

(b) Private enterprise facilities for aiding the utilization and distribution, and increasing the consumption of and markets for, United States agricultural commodities and products; or

(c) Private enterprise support of self-help measures and projects.

Subsection (d) of section 108 provides that an agreement between the Secretary and a financial intermediary must specify the terms and conditions under which the foreign currency must be used and subsequently repaid to the Secretary, including the following:

(a) The financial intermediary must, to the maximum extent feasible, give preference to financing agriculturally related private enterprise;

(b) The financial intermediary must repay loans made by the Secretary, plus accrued interest, at such times as will permit the Secretary to convert the foreign currency in accordance with the conversion schedule agreed upon, but in no event later than the date specified in section 103(m) of the Act; and

(c) The financial intermediary may repay a loan prior to the repayment date specified in the loan agreement.

(d) An entity or venture receiving funds from a financial intermediary must—

(1) Be owned, directly or indirectly, by citizens of the developing country, except that not more than 25 percent of such ownership may be held by citizens of the United States; and

(2) May not be owned or controlled, in whole or in part, by the Government of the developing country or any governmental subdivision thereof.

(e) The rate of interest charged on loans made by the Secretary to financial intermediaries will be negotiated between the Secretary and the intermediary. A cooperative or nonprofit voluntary agency acting as a financial intermediary may be charged a lower rate of interest than would otherwise be charged in order to defray the start-up costs of becoming a financial intermediary.

(f) No foreign currency may be made available to promote the production of agricultural commodities that, as determined by the Secretary, would compete in world markets with United States commodities or products.

(g) The Secretary may not condition loan eligibility on a guaranty of repayment made by the developing country in which the borrowing intermediary is located or is operating.

Subsection (e) of section 108 provides that all currencies repaid by financial intermediaries will be deposited and accounted for under the provisions of section 105 of the Act and, when repaid, may be used to fund additional loans to financial intermediaries; agricultural market development activities; payment of United States obligations; or be converted to dollars.

Subsection (f) of section 108 provides that the loan agreements between the Secretary and the financial intermediaries will be subject to periodic audit by the Secretary. The provision also requires that, not later than 180 days after the close of each fiscal year, the Secretary report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the activities carried out under section 108, including the Secretary's evaluation of the impact of the investment fostered under this program on the development of agricultural related private enterprise in each participating country.

Subsection (g) of section 108 states that the Secretary may provide agricultural technical assistance to further the purposes of the program authorized in section 108. The Secretary must, to the maximum extent practicable, use at least 5 percent of the foreign currencies initially obtained for use under section 108 to carry out this assistance.

Minimum quantities of agricultural commodities distributed under Title II

Section 122 amends section 201(b) of the Agricultural Trade Development and Assistance Act of 1954 to set minimum quantities of agricultural commodities to be distributed under title II of that Act. For both fiscal years 1986 and 1987, the minimum quantity is set at 1.9 million metric tons, of which 1.425 million metric tons must be distributed through nonprofit voluntary agencies, cooperatives, and the World Food Program. For fiscal year 1988 and each fiscal year thereafter, the tonnage figures are set at 1.7 million metric tons and 1.275 million metric tons, respectively.

Value added, processed, and protein-fortified products

Section 123 amends section 201 of the Agricultural Trade Development and Assistance Act of 1954 by adding a new subsection (c) which provides that, in distributing commodities under title II of the Act for nonemergency programs, the President must consider—

(a) The nutritional assistance to recipients and benefits to the United States resulting from distributing processed and protein-fortified products, including processed milk, plant protein products, and fruit, nut, and vegetable products,

(b) The nutritional needs of the proposed recipients of the commodities,

(c) The cost effectiveness of providing such commodities, and

(d) The purposes of Title II of the Act, And must ensure that at least 75 percent of the quantity of agricultural commodities required to be distributed each fiscal year be processed, fortified, or bagged commodities.

Food assistance programs of voluntary agencies

Section 124 amends Title II of the Agricultural Trade Development and Assistance Act of 1954 by adding new sections 207, 208, 209, and 210 to the Act.

New section 207 provides that agreements with nonprofit voluntary agencies or cooperatives for nonemergency assistance under title II may, if requested by the agency or cooperatives, provide for the use of foreign currencies generated from the sale of donated commodities. Such agreements must provide, in the aggregate for each fiscal year, for the use of foreign currencies in an amount not less than 5 percent of the aggregate value of the commodities distributed under the Title II non-emergency programs for that fiscal year.

Sales of agricultural commodities to generate foreign currencies under section 207 will be subject to section 103(c) of the Act (which provides for the taking of reasonable precautions to safeguard usual marketings of the United States and for assuring that these donations will not unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries) unless the Secretary, in consultation with the Administrator of the Agency for International Development, waives the application of section 103(c).

Foreign currencies generated under the authority of new section 207 may be used by a nonprofit voluntary agency or cooperative only for activities that they carry out to enhance the effectiveness of their food assistance program carried out under the agreement. These activities may include food for work programs, local program management, local agricultural and cooperative development projects, and outreach projects to provide food to people with the greatest nutritional need, only if each of these activities is directly related to the food assistance program carried out by the agency or cooperative.

Foreign currency proceeds may not be used to defray personnel or administrative costs, other than those of a local cooperative; to defray costs of constructing or maintaining an edifice owned or operated by a church or any edifice used for sectarian purposes; or to replace resources otherwise available to the nonprofit voluntary agency or cooperative, as determined by the President.

New section 208 encourages the President to approve multiyear agreements with nonprofit voluntary agencies for non-emergency assistance, if such agreements are requested, unless the President determines that the agreement should be limited to a single year because of the agency's past performance or because the agreement involves a new program of assistance. The multiyear agreements would, however, be subject to the availability of the necessary funds and commodities each fiscal year. A nonprofit voluntary agency carrying out a multiyear agreement may not be required to obtain annual approval to continue its assistance program under the agreement, unless the President determines that exceptional and unforseen circumstances have occurred requiring such approval.

New section 209 provides that agreements with nonprofit voluntary agencies may authorize the establishment of local food reserves. When so authorized, commodities made available under title II of the Act may be deposited in the reserve—

(a) For later use in providing immediate food assistance to meet emergency needs, or

(b) If the nonprofit voluntary agency determines that the immediate use of the commodities for food assistance would be a disincentive to local production and that the commodities should be held for later use.

This latter determination is not intended to replace or supercede any determination of the Secretary of Agriculture made pursuant to section 401(b) of the Act or the requirement for such determination.

New section 210 provides that a nonprofit voluntary agency requesting nonemergency food assistance agreement under title II of the Act must include in its request a description of the intended uses of any foreign currency proceeds that would be generated through sale of the commodities.

Section 124 also states that it is the sense of Congress that the President is encouraged to invite representatives of nonprofit voluntary agencies that participate in the programs carried out under Title II of the Act and others to participate in a task force to study the means of providing food assistance under the Act to people with the greatest nutritional need in the recipient countries. If established, the task force should report to Congress by February 15, 1986, on steps that could be taken to provide food to such people.

Section 124 also provides that new sections 207, 208, and 209 shall apply with respect to assistance agreements entered into after September 30, 1985, and that section 210 shall apply with respect to assistance agreements entered into after December 31, 1985.

Food for Development program

Section 125 amends section 302(c)(1)(C) of the Agricultural Trade Development and Assistance Act of 1954 to set the aggregate value of Food for Development agreements made in any fiscal year at 10 percent of the aggregate value of all title I agreements for that fiscal year.

Extension of program

Section 126 amends section 409 of the Agricultural Trade Development and Assistance Act of 1954 to extend through December 31, 1989, the authority to finance sales under title I and to enter into programs of assistance under title II of the Act. This section also amends section 409 to provide that the new spending authority provided for title I of the Act by the Agriculture, Food, Trade, and Conservation Act of 1985 is effective for any fiscal year only to the extent or in such amounts as are provided in appropriation Acts.

Commodity donations abroad

Section 127(a) amends subsection (b) of section 416 of the Agricultural Act of 1949 as follows:

(a) The category of commodities that can be donated abroad is broadened to include all agricultural commodities and products acquired by the Commodity Credit Corporation through price support operations. The Secretary must determine that the commodities and products meet the criteria specified in subsection (a) of section 416.

(b) The Secretary is authorized to furnish eligible commodities, as determined under subsection (a) of section 416, to carry out title II of the Agricultural Trade Development and Assistance Act of 1954, as approved by the Secretary, and for such purposes as are approved by the Secretary. Commodities may not be made available for foreign donation in quantities that will reduce the quantities of such commodities that are traditionally donated to domestic feeding programs or agencies.

(c) Sections 103(c) and 401(b) of the Agricultural Trade Development and Assistance Act of 1954 shall apply with respect to commodities furnished under subsection (b), except that, subject to paragraph (a)(B)(v) of subsection (b), the requirement for safeguarding usual marketings of the United States may not be used to prevent the furnishing of any eligible commodity for use in countries that—

(1) Have not traditionally purchased the commodity from the United States; or

(2) Do not have adequate financial resources to acquire the commodity from the United States through commercial sources or through concessional sales arrangements.

(d) Section 203 of the Agricultural Trade Development and Assistance Act of 1954 applies to commodities furnished under subsection (b).

(e) Agreements to provide eligible commodities in installments over an extended period of time may be entered into under subsection (b).

(f) As soon as possible after the beginning of each fiscal year, the Secretary must estimate and announce the types of eligible commodities, and the amounts thereof, that the Secretary anticipates will be available for distribution under subsection (b) during the fiscal year.

(g) To the maximum extent practicable, expedited procedures must be used in implementing subsection (b).

(h) The cost of commodities furnished under subsection (b), and the expenses incurred under section 203 of the Agricultural Trade Development and Assistance Act of 1954 in connection with such commodities, are in addition to the level of assistance programmed under that Act and may not be considered expenditures for international affairs and finance.

(i)(1) Eligible commodities furnished under subsection (b) may be sold or bartered with the approval of the Secretary only as follows:

(A) Sales and barter that are incidental to the donational of the commodities.

(B) Sales and barter, the proceeds of which are used to finance the distribution, handling, and processing costs of the donated commodities in the importing country or other activities in the importing country that are consistent with providing food assistance to needy people.

(C) Sales and barter of commodities donated to intergovernmental organizations, insofar as they are consistent with normal programming procedures in the distribution of commodities by such organizations.

(D) Sales and barter of commodities used for payments made under section 203 of the Agricultural Trade Development and Assistance Act of 1954.

(2)(A) If requested by a nonprofit voluntary agency or cooperative, an agreement with the agency or cooperative for commodities made available under subsection (b) may provide for the use, by the agency or cooperative, of foreign currency proceeds generated from the sale of commodities made available under the agreement for the purposes specified in paragraph (2)(C).

(B) The Secretary must ensure, to the extent practicable, that these agreements provide, in the aggregate for each fiscal year, for the use (under subsection (b)) of foreign currency proceeds in an amount that is not less than 5 percent of the aggregate value of the eligible commodities furnished to such agencies and cooperatives under subsection (b) during that fiscal year.

(C)(i) Foreign currency generated under this provision must be used by a nonprofit voluntary agency or cooperative for activities carried out by the agency or cooperative that will enhance the effectiveness of the food assistance program being carried out under the agreement.

(ii) Such activities may include food for work programs, local program management, local agricultural and cooperative development projects, and outreach projects designed to provide food to people with the greatest nutritional need, only if each of these activities is directly related to the food assistance program of the nonprofit voluntary agency or cooperative.

(D) All foreign currency proceeds generated pursuant to an agreement made under subsection (b) must be expended within 1 year after the end of the period covered by the agreement.

(E) Section 103(c) of the Agricultural Trade Development and Assistance Act of 1954 shall apply to sales of agricultural commodities made to generate foreign currencies under subsection (b), unless the Secretary of Agriculture, in consultation with the Administrator of the Agency for International Development, waives the application of the provision.

(F) Foreign currency proceeds generated under this subsection may not be used—

(i) To defray personnel or administrative costs incurred by a United States cooperating sponsor, distributing agency, or recipient agency, other than a local cooperative;

(ii) To defray the costs of construction or maintenance of an edifice owned or operated by a church or any other edifice used for sectarian purposes; or

(iii) To replace resources otherwise available to a nonprofit voluntary agency or cooperative, as determined by the President.

(j) In carrying out subsection (b), during each fiscal year, the Secretary must furnish to nonprofit voluntary agencies, cooperatives, and the World Food Program for distribution in developing countries not less than 400,000 metric tons of eligible commodities that are available for distribution under subsection (b). If the quantity of eligible commodities required to be distributed in less than 400,000 metric tons, the Secretary need not purchase additional commodities to satisfy this requirements. The requirement to distribute commodities will not apply in any fiscal year in which the Secretary determines and reports to Congress (together with the reasons therefor) that—

(A) there have not been sufficient requests made by nonprofit voluntary agencies, cooperatives, and the World Food Program for commodities under this program for uses that would effectively carry out the purposes of title II of the Agricultural Trade Development and Assistance Act of 1954; or

(B) there are insufficient commodities remaining after making the traditional donations to domestic feeding programs or agencies.

Section 127(b) provides that section 416(b)(9)(A) of the Agricultural Act of 1949 will be effective on October 1, 1985.

Food for progress

Section 128(a) adds a new subsection (d) to section 416 of the Agricultural Act of 1949. the new subsection provides that, notwithstanding any other provision of law:

(a) The President may enter into agreements with developing countries to furnish United States agricultural commodities and products to such countries to promote the implementation of private, free enterprise agricultural policies for long-term agricultural development. The commodities will be furnished under this subsection on such terms and conditions as the President considers are in the public interest and will promote the objectives of the program authorized in this subsection. The agreements may provide for commodities to be furnished on a multi-year basis.

(b) Up to 500,000 metric tons of agricultural commodities and products, that have been acquired by the Commodity Credit Corporation and that the Secretary determines meet the criteria specified in subsection (a) of section 416, may be furnished by the Secretary to carry out the program authorized in subsection (a) in each of the fiscal years 1986 through 1989.

(c) The Commodity Credit Corporation may purchase agricultural commodities and products for use in this program if—

(1) the Commodity Credit Corporation does not hold stocks of such commodities and products; or

(2) Commodity Credit Corporation stocks are insufficient to satisfy commitments made in agreements entered into under this program.

(d) In deciding whether to enter into agreements with countries for the furnishing of commodities under this program the President must consider whether a potential recipient country—

(1) is carrying out, or is committed to carry out, policies that promote economic freedom, private, domestic production of food commodities for domestic consumption, and the creation and expansion of efficient domestic markets for the purchase and sale of such commodities, including policies that may provide for—

(A) access, on the part of farmers in such country, to private, competitive markets for their products;

(B) market pricing of commodities to foster adequate private sector incentives to individual farmers to produce food on a regular basis for the domestic needs of the country;

(C) establishment of market-determined foreign exchange rates;

(D) timely availability of production inputs, such as seed, fertilizer, or pesticides, to farmers;

(E) access to technologies appropriate to the level of agricultural development in the country; and

(F) construction of facilities and distribution systems necessary to handle perishable products; and

(2) is able to use the quantity of commodities being considered for donation without disruption of the internal market of the country for domestically produced agricultural commodities and products.

(e) An agreement entered into under the program authorized under this subsection shall prohibit the resale or transshipment of the donated agricultural commodities to other countries.

(f) In entering into agreements with countries for the donation of agricultural commodities and products under the program authorized under this subsection, the President must take reasonable precautions to avoid displacement of any sales of United States agricultural commodities and products that would otherwise be made to such countries.

(g) Section 203 of the Agricultural Trade Development and Assistance Act of 1954 will apply to any agricultural commodities furnished under this program.

(h) No funds of the Commodity Credit Corporation in excess of $30,000,000 (exclusive of the cost of commodities) may be used to carry out this subsection unless authorized in advance in appropriations Acts.

(i) The cost of the commodities furnished under this program, and the expenses incurred in connection with furnishing such commodities, are in addition to the level of assistance programmed under the Agricultural Trade Development and Assistance Act of 1954 and may not be considered as expenditures for international affairs and finance.

(j) The President must carry out the duties imposed on the President by this program through the National Security Advisor in the Executive Office of the President. The National Security Advisor, with the approval of the Secretary, may use personnel of the Department of Agriculture in carrying out the program.

(k) Section 901 of the Merchant Marine Act, 1936, and the Joint Resolution of March 26, 1934, (commonly referred to as the "cargo preference laws") will not apply to any export activity authorized under this subsection.

(l) Within 120 days after the close of each fiscal year in which an agreement entered into with a country under this program is in effect, the President must report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the status of such agreement and the progress being made to implement private, free enterprise agricultural policies for long-term agricultural development in that country.

Section 128(b) provides that the new subsection (d) that is added to section 416 of the Agricultural Act of 1949 will be effective for fiscal years 1986 through 1989.

Special Assistant for Agricultural Trade and Food Aid

Section 129 provides that the President must appoint, with the advice and consent of the Senate, a Special Assistant to the President for Agricultural Trade and Food Aid (hereafter referred to as the "Special Assistant") to serve in the Executive Office of the President.

(a) As an exercise of the rulemaking power of the Senate, any nomination to the position of Special Assistant must be—

(1) submitted to the Senate for confirmation; and

(2) referred to the Committee on Agriculture, Nutrition, and Forestry.

(b) The Special Assistant shall—

(1) serve at the pleasure of the President;

(2) be entitled to receive the same allowance as a Chief of mission; and

(3) have the rank of Ambassador Extraordinary and Plenipotentiary.

(c) In terms of responsibilities, the Special Assistant shall—

(1) assist and advise the President to improve and enhance food assistance programs carried out in the United States and foreign countries;

(2) coordinate and streamline the manner in which food assistance programs are carried out by the Department of Agriculture and the Agency for International Development, in order to improve their overall effectiveness;

(3) make recommendations to the President on measures to be taken to increase use of United States agricultural commodities and products in food assistance programs;

(4) advise the President on agricultural trade;

(5) serve as a member of the Development Coordination Committee and as Chairman of the Food Aid Subcommittee of that Committee; and

(6) issue to departments and agencies of the Federal Government policy guidelines on basic issues of food assistance policy, to the extent necessary to assure the coordination of food assistance programs, consistent with law, and with the advice of the Subcommittee.

(d) In addition, the Special Assistant may—

(1) solicit information and advice from private and governmental sources and recommend a plan to the President and Congress on measures that could be taken—

(A) to promote the export of United States agricultural commodities and products; and

(B) to expand export markets for United States agricultural commodities and products;

(2) develop and recommend to the President national agricultural policies to foster and promote the United States agricultural industry and to maintain and increase the strength of this sector of the United States economy; and

(3)(A) appraise the various programs and activities of the Federal Government, as they affect the United States agricultural industry, for purposes of determining the extent to which these programs and activities are contributing or not contributing to that industry; and

(B) make recommendations to the President and Congress with respect to the effectiveness of these programs and activities in contributing to the United States agricultural industry.

Section 129 also amends section 5312 of title 5 of the United States Code to add the position of Special Assistant for Agricultural Trade and Food Aid to the listing of positions to which level I of the Executive Schedule applies.

TITLE II—DAIRY

Federal milk marketing orders

Section 201 amends section 101(b) of the Agriculture and Food Act of 1981 to extend through December 31, 1989 (1) the authority for Federal milk marketing orders to contain provisions for seasonal base-excess plans which are designed to encourage desirable seasonal adjustments in the production of milk; (2) the authority for Federal milk marketing orders to contain provisions for seasonal takeout-payback (Louisville) plans; (3) the requirement that the Secretary of Agriculture call a hearing on any legal proposal to amend a milk marketing order on the request of one third of the affected producers; and (4) the requirement that the Secretary, in setting milk prices under a marketing order, take into consideration current needs and assure a level of farm income adequate to maintain milk production capacity to meet future needs. Without an extension these authorities will expire on December 31, 1985.

Legal status of producer handlers

Section 202 provides that the legal status of producer handlers of milk under the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, would be the same subsequent to the adoption of the amendment made by section 201 as it was prior to such adoption.

Milk price support

Section 203 amends section 201(d) of the Agricultural Act of 1949 as follows:

Subsection (d)(1) provides that notwithstanding any other provision of law, effective for the period beginning on October 1, 1985 and ending on September 30, 1989, the price of milk would be supported at a rate equivalent to $11.60 per hundredweight for milk containing 3.67 percent milkfat. On January 1, 1987, if the Secretary of Agriculture estimates that for the 12-month period beginning on such date net price support purchases of milk or the products of milk would be in excess of 5 billion pounds milk equivalent, the Secretary must reduce the price support rate in effect on such date by 50 cents per hundredweight. On January 1, 1988 and January 1, 1989, if the Secretary estimates that for the 12-month period beginning on such date net price support purchases of milk or the products of milk would be (in milk equivalent)—

(i) 10 billion pounds or more, the Secretary must reduce the price support rate in effect on such date by $1.00 per hundredweight, except that the Secretary may decrease the amount of such adjustment to reflect changes in a cost of production index established by the Secretary;

(ii) 5 billion pounds or more but less than 10 billion pounds, the Secretary must reduce the price support rate in effect on such date by 50 cents per hundredweight, except that the Secretary may decrease the amount of such adjustment in accordance with such index;

(iii) 2 billion pounds or more but less than 5 billion pounds, the Secretary may not adjust the price support rate in effect on such date; or

(iv) less than 2 billion pounds, the Secretary may increase the price support rate in effect on such date by not less than 50 cents per hundredweight, except that the Secretary may increase the amount of such adjustment in accordance with such index.

Subsection (d)(2) provides that the price of milk will be supported through the purchase of milk and milk products.

Transfer of dairy products to veterans hospitals and the military

Section 204 amends section 202 of the Agricultural Act of 1949 to extend through December 31, 1989, the requirement that the Commodity Credit Corporation make dairy products available without charge to veterans hospitals and the military. The present authority for such transfer expires December 31, 1985.

Dairy indemnity program

Section 205 amends section 3 of the Act entitled "An Act to provide indemnity payments to dairy farmers", approved August 13, 1968, to extend through September 30, 1989, the authority for indemnity payments to dairy farmers who sustain losses as a result of pesticides, nuclear radiation, or fallout, or other chemicals or toxic substances. The present authority for such indemnity payments expires September 30, 1985.

Study of milk differentials

Section 206(a) requires the Secretary of Agriculture to conduct a study of the differentials used to adjust the minimum price for milk classified as class I milk under section 8c(5)(A) of the Agricultural Adjustment Act, as amended and reenacted by the Agricultural Marketing Agreement Act of 1937, with particular emphasis on the differentials used for the locations at which delivery of such milk is made to handlers.

Section 206(b) requires the Secretary, no later than 1 year after the date of enactment of the bill, to report the results of the study required under section 206(a), together with any recommendations for necessary legislation, to the Senate and House agriculture committees.

TITLE III—WOOL AND MOHAIR

Wool price support program

Section 301 amends section 703 of the National Wool Act of 1954. Section 703 presently requires the Secretary of Agriculture, through the Commodity Credit Corporation, to support the prices of wool and mohair to producers by means of loans, purchases, payments, or other operations with respect to such commodities marketed during the period ending December 31, 1985. Section 301 amends this provision to make it effective for wool and mohair marketed during the period ending December 31, 1989.

Section 301 further amends section 703 to provide that the support price for shorn wool for the marketing years January 1, 1986 through December 31, 1989 would be 77.5 percent of the amount calculated in accordance with the formula prescribed in section 703. This is an extension of the provisions applicable to the 1982 through 1985 marketing years. Pulled wool and mohair would continue to be supported in the same manner as prescribed under current law through December 31, 1989.

Section 301 also adds a new subsection (f) to section 703 of the National Wool Act of 1954 as follows:

Subsection (f)(1) provides that the total amount of payments that a person is entitled to receive under section 703 for any marketing year may not exceed $50,000.

Subsection (f)(2) requires the Secretary to issue regulations defining the term "person" and prescribing such rules as the Secretary determines necessary to assure a fair and reasonable application of the limitation established under subsection (f). The regulations issued by the Secretary on December 18, 1970, under section 101 of the Agricultural Act of 1970, would be used to establish the percentage ownership of a corporation by the stockholders of such corporation for the purpose of determining whether such corporation stockholders are separate person under subsection (f).

Promotion of sale of wool, sheep, mohair, and goats outside the United States

Section 302 amends section 708 of the National Wool Act of 1954. Section 708 presently authorizes the Secretary of Agriculture to enter into agreements with organizations to carry out advertising and sales promotion programs. Under section 708 of the Wool Act, such advertising and sales promotion programs may be conducted outside of the United States for the purposes of maintaining and expanding foreign markets and uses for mohair or goats or the products thereof produced in the United States. Section 302 amends this provision ot provide that such advertising and sales promotion programs may be conducted in connection with wool or sheep or the products thereof, in additon to mohair or goats or the products thereof.

TITLE IV—WHEAT

Marketing quotas

Section 401 amends section 332 of the Agricultural Adjustment Act of 1938 effective only for the 1987 through 1989 crops of wheat. Section 332 is currently suspended through the 1985 crop of wheat.

Section 332(a) defines, for purposes of sections 332 through 338 of the Agricultural Adjustment Act of 1938, the term "base period" to mean the 1981 through 1985 crop years for wheat, and the term "marketing quota period" to mean the 1987 through 1989 marketing years for wheat.

Section 332(b) requires the Secretary of Agriculture, not later than April 1, 1986, to conduct a poll, by mail ballot, or eligible wheat producers to determine whether such producers favor the proclamation of national marketing quotas for wheat for the 1987 through 1989 marketing years and the conduct of a marketing quota referendum for such period. Any producer who produced wheat on a farm during at lest one of the crop years of the base period (1981 through 1985 crops of wheat) would be eligible to vote in the poll.

Not later than 60 days after the conduct of the poll, the Secretary would be required to proclaim the results of the poll.

Section 332(c) provides that if more than 50 percent of the elibible producers responding to the poll favor the proclamation of marketing quotas and the conduct of a referendum, the Secretary must (1) proclaim national marketing quotas for wheat for each marketing year of the marketing quota period not later than June 15 of the calander year preceding such period and (2) conduct, by mail ballot, a referendum not later than August 1 of the calendar year preceding such period.

The quantity of the national marketing quota for wheat for any marketing year would be a quantity of wheat that the Secretary estimates is required to meet anticipated needs during such marketing year, taking into consideration domestic requirements, export demand, emergency food aid needs, and adequate carryover stocks.

Section 332(d) provides that if, after the proclamation of a national marketing quota for wheat for any marketing year, the Secretary determines that the national marketing quota should be terminated or adjusted to meet a national emergency or a material change in the demand for wheat, the Secretary must adjust or terminate the national marketing quota.

Marketing quota apportionment factor

Section 402 amends section 333 of the Agricultural Adjustment Act of 1938 effective only for the 1987 through 1989 crops of wheat. Section 333 is currently suspended through the 1985 crop of wheat.

Section 333(a) requires the Secretary of Agriculture to establish a marketing quota apportionment factor for each crop of wheat for which a national marketing quota is proclaimed under section 332 of the Agricultural Adjustment Act of 1938.

Section 333(b) provides that the apportionment factor is to be determined by dividing the national marketing quota for the crop of wheat by the average number of bushels of wheat the Secretary determines was produced in the United States during the base period. The average bushels of wheat produced may be adjusted to reflect the quantity of wheat that would have been produced during the base period except for (1) drought, flood, or other natural disaster, or other conditions beyond the control of producers, and (2) participation in any acreage reduction, set-aside, or diversion programs for wheat during the base period, as determined by the Secretary.

Farm marketing quotas

Section 403 amends section 334 of the Agricultural Adjustment Act of 1938, effective only for the 1987 through 1989 crops of wheat. Sections 334 is currently suspended through the 1985 crop of wheat.

Section 334(a) provides that for each crop of wheat for which a national marketing quota has been proclaimed under section 332 of the Agricultural Adjustment Act of 1938, the Secretary of Agriculture must establish a farm marketing quota for each farm on which wheat was planted for harvest, or considered planted for harvest during the base period.

Section 334(b) provides that the farm marketing quota is to be equal to the product obtained by multiplying (1) the average number of acres of wheat planted for harvest, or considered planted for harvest, on the farm during the base period, by (2) the average yield of wheat planted for harvest, or considered planted for harvest, on the farm during such base period, as determined by the Secretary on such basis as the Secretary determines will provide a fair and equitable yield, by (3) the marketing quota apportionment factor.

Section 334(c) provides that, for purposes of this section, wheat shall be considered to have been planted for harvest on the farm in any crop year to the extent that the Secretary determines that wheat was not planted for harvest on the farm (1) because of drought, flood, or other natural disaster, or other condition beyond the control of the producer, as determined by the Secretary or (2) because the producer on the farm participated in any acreage reduction, set-aside, or diversion program for wheat during such crop years.

Section 334(d) requires the Secretary to establish farm marketing quotas under this section by July 15 of the calendar year preceding each marketing year for which a national marketing quota has been proclaimed under section 332 of the Agricultural Adjustment Act of 1938.

Marketing penalties

Section 404 amends section 335 of the Agricultural Adjustment Act of 1938, effective only for the 1987 through 1989 crops of wheat. Section 335 is currently suspended through the 1985 crop of wheat.

Section 335(a) provides that the marketing of wheat produced on a farm in excess of a farm marketing quota shall be subject to a penalty at a rate per bushel equal to 75 percent of the national average market price for wheat during the immediately preceding marketing year.

Section 335(b) specfies that the penalty provided for in subsection (a) is to be paid—

(1) in the case of wheat marketed by sale to a person within the United States, by the person who acquired the wheat from the producer, except that an amount equivalent to the penalty may be deducted by the buyer from the price paid to the producer;

(2) in the case of wheat marketed through a warehouseman or agent, by the warehouseman or agent, who may deduct an amount equivalent to the penalty from the price paid to the producer; or

(3) in the case of wheat marketed directly to any person outside the United States, by the producer.

Section 335(c) provides that if any producer falsely identifies, or fails to certify, the acreage planted to wheat for harvest or fails to account for the disposition of any wheat produced on such planted acreage in accordance with regulations issued by the Secretary of Agriculture, a quantity of wheat equal to the product obtained by multiplying (1) the farm program yield, as determined by the Secretary under section 107D(e) of the Agricultural Act of 1949, by (2) the planted acreage, shall be deemed to have been marketed in excess of the farm marketing quota.

In such a situation, the penalty provided for in subsection (a) on such quantity of wheat is to be paid by the producer.

Section 335(d) provides that each producer having an interest in the crop of wheat on any farm for which a penalty is determined is jointly and severally liable for the entire amount of the penalty.

Section 335(e) provides that wheat subject to a farm marketing quota may be carried over by the producer from one marketing year to the succeeding marketing year. Such wheat may be marketed without incurring a penalty under this section in the succeeding marketing year, to the extent that (1) the total quantity of wheat available for marketing from the farm in the marketing year from which the wheat is carried over does not exceed the farm marketing quota, or (2) the total quantity of wheat available for marketing in the succeeding marketing year (including any quantity of wheat carried over) does not exceed the farm marketing quota for the succeeding marketing year.

Section 335(f) provides that wheat produced in a calendar year in which marketing quotas are in effect for the marketing year beginning in that calendar year is subject to such quotas even though it is marketed prior to the date on which such marketing year begins.

Section 335(g) requires the Secretary of Agriculture to collect the penalty provided for in this section on a proportion of each unit of wheat marketed from the farm equal to the proportion that the wheat available for marketing from the farm in excess of the farm marketing quota is of the total quantity of wheat available for marketing from the farm, if satisfactory proof is not furnished to the Secretary as to the disposition to be made of the excess wheat, in accordance with regulations issued by the Secretary, prior to the marketing of any wheat from the farm.

All funds collected under section 335 during a marketing year are to be deposited in a special account established in the Treasury of the United States until the end of the next succeeding marketing year. On certification of the Secretary, funds are to be paid out of such special account to a person designated by the Secretary in the amount by which the penalty collected exceeds that amount of penalty due on wheat marketed in excess of the farm marketing quota for a farm. This special account is to be administered by the Secretary.

Section 335(g) also provides that the basis for, the amount of, and the person entitled to receive a payment from the special account, when determined in accordance with regulations prescribed by the Secretary, shall be final and conclusive.

Section 335(h) provides that until the amount of the penalty provided by section 335 is paid, a lien on the wheat with respect to which such penalty is incurred and any subsequent wheat subject to marketing quotas in which the person liable for the payment of such penalty has an interest is to be in effect in favor of the United States for the amount of the penalty.

Section 335(i) provides that a person liable for the payment or collection of a penalty on any quantity of wheat is to be liable also for interest on such penalty from the date the penalty becomes due until the date of payment of the penalty. The rate of interest on such penalty would be equal to the rate of interest that was charged the Commodity Credit Corporation by the Treasurer of the United States on the date such penalty became due.

Section 335(j) provides that if marketing quotas for wheat are not in effect for any marketing year, all previous marketing quotas applicable to wheat shall be terminated, effective as of the first day of such marketing year. Such termination shall not abate any penalty previously incurred by a producer or relieve any buyer of the duty to remit penalties previously collected.

Referendum

Section 405 amends section 336 of the Agricultural Adjustment Act of 1938, effective only for the 1987 through 1989 crops of wheat. Section 336 is currently suspended through the 1985 crop of wheat.

Section 336(a) provides that, if a national marketing quota for wheat for the 1987 through 1989 marketing years is proclaimed, not later than August 1 of the calendar year preceding such period, the Secretary of Agriculture must conduct, by mail ballot, a referendum of eligible producers to determine whether they favor or oppose marketing quotas for such period.

Section 336(b) provides that any producer who produced wheat on a farm during at least one of the crop years of the base period (1981 through 1985 crops) would be eligible to vote in the referendum.

Section 336(c) requires the Secretary, to proclaim the results of the referendum not later than 30 days after the conduct of such referendum.

Section 336(d) provides that, if the Secretary determines that 60 percent or more of the producers voting in the referendum approve marketing quotas, the Secretary must proclaim that marketing quotas will be in effect for the marketing quota period.

Transfer of farm marketing quotas

Section 406 amends section 338 of the Agricultural Adjustment Act of 1938, effective only for the 1987 through 1989 crops of wheat. Section 338 is currently suspended through the 1985 crop of wheat.

Section 338(a) provides that, except as provided in subsection (b), farm marketing quotas are not transferable.

Section 338(b) provides that, in accordance with regulations prescribed by the Secretary of Agriculture for such purpose the farm marketing quota for a farm for any marketing year, or any portion of the quota, may be voluntarily surrendered to the Secretary by the producer. The Secretary may reallocate any farm marketing quotas so surrendered to other farms having farm marketing quotas on such basis as the Secretary may determine.

Loan rates, target prices, disaster payments, wheat acreage reduction and set-aside program, and land diversion for the 1985 through 1989 crops of wheat

Section 407 amends the Agricultural Act of 1949, effective only for the 1986 through 1989 crops of wheat by adding a new section 107D. The present provisions of section 107C relating to the wheat price support program are effective only through the 1985 crop of wheat.

Section 107D(a)(1) requires the Secretary of Agriculture, except as provided in paragraphs (2) and (3), to make available to producers loans and purchases for each of the 1986 through 1989 crops of wheat at such level as the Secretary determines will maintain the competitive relationship of wheat to other grains in domestic and export markets after taking into consideration the cost of producing wheat, supply and demand conditions, and world prices for wheat.

Section 107D(a)(2) provides that for any crop of wheat for which marketing quotas are in effect, the loan and purchase level may not be less than the higher of (1) 75 percent of the national average cost of production per bushel of wheat, as determined by the Secretary, taking into consideration variable expenses, general farm overhead, taxes, insurance, interest, and capital replacement costs (but excluding residual returns for management and risk), or (2) $3.55 per bushel.

Section 107D(a)(3) provides that except as provided in subparagraph (B), for any crop of wheat for which marketing quotas are not in effect, the loan and purchase level could not be less than the following: (1) in the case of the 1986 crop of wheat, $3.00 per bushel, and (2) in the case of each of the 1987 through 1989 crops of wheat, 75 percent, nor more than 85 percent, of the simple average price received by producers of wheat, as determined by the Secretary, during the immediately preceding 5 marketing years, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period. The loan and purchase level for a crop determined under clause (2) could not be reduced by more than 5 percent from the level determined for the preceding crop.

If the Secretary determines that the average price of wheat received by producers in any marketing year is not more than 110 percent of the loan and purchase level for wheat for such marketing year, the Secretary may reduce the loan and purchase level for the next marketing year by the amount the Secretary determines necessary to maintain domestic and export markets for grain. However, the loan and purchase level may not be reduced under this provision by more than 20 percent in any year. Also, any reduction in the loan and purchase level for wheat under this provision is not to be considered in determining the loan and purchase level for subsequent years.

Section 107D(a)(4) requires the Secretary to permit a producer to repay a loan made under the wheat program for a crop at a level that is the lesser of—

> (1) the loan level determined for such crop, or
>
> (2) the higher of (i) 70 percent of such level; (ii) if the loan level for a crop was reduced under section 107D(a)(3)(B) (relating to the authority to reduce the loan level for a year by up to 20 percent if the average price of wheat for the preceding year is not more than 110 percent of the loan level for such year), 70 percent of the loan level that would have been in effect but for the reduction under paragraph (3)(B); or (iii) the prevailing world market price for wheat, as determined by the Secretary.

The Secretary is to prescribe by regulation a formula to define the prevailing world market price for wheat and a mechanism by which the Secretary announces periodically such prevailing world market price.

Section 107(D)(a)(5) provides that, for purposes of this section, the average price received by producers for the immediately preceding marketing year is to be based on the latest information available to the Secretary at the time of the determination.

Section 107(D)(b) authorizes the Secretary, for each of the 1986 through 1989 crops of wheat, to make payments available to producers who, although eligible to obtain a wheat loan or purchase agreement, agree to forgo obtaining such loan or agreement in return for such payments. A payment under this subsection is computed by multiplying the loan payment rate by the quantity of wheat the producer is eligible to place under loan. For purposes of this subsection, the quantity of wheat eligible to be placed under loan may not exceed the individual farm program acreage for the crop multiplied by the farm program payment yield established for the farm. Also, the loan payment rate is the amount by which the loan level determined for the crop exceeds the level at which a loan may be repaid under section 107D(a)(4).

Section 107D(c)(1) requires the Secretary to make available to producers deficiency payments for each of the 1986 through 1989 crops of wheat. Such payments are computed by multiplying (1) the payment rate, by (2) the farm acreage for the crop, by (3) the farm program payment yield for the crop. Payments for any crop for which marketing quotas are in effect may not exceed an amount equal to the payment rate multiplied by the farm marketing quota.

The bill provides a mechanism under which a producer could receive deficiency payments on a larger acreage than the acreage actually planted to wheat. This mechanism would be applicable in 3 situations: (1) when the producer reduces the acreage of wheat planted for harvest from the acreage base by at least the percentage recommended by the Secretary in the announcement of the national program acreage, (2) when an acreage limitation program is in effect, and (3) when a set-aside program is in effect and the Secretary has announced a limitation on the acreage planted to wheat. In each of these situations, if the producer plants at least 50 percent of the acreage base (reduced by the percentage recommended by the Secretary), the permitted wheat acreage, or the limited farm acreage, respectively, to wheat or a nonprogram crop, any portion of the acreage base (reduced by the percentage recommended by the Secretary), the permitted wheat acreage, or the limited farm acreage, respectively, that is devoted to conserving uses or nonprogram crops would be considered as part of the individual farm program acreage, and the producer would be eligible for deficiency payments with respect to such acreage. Such acreage would also be considered to be planted to wheat. For purposes of this provision, a "nonprogram" crop means any agricultural commodity other than wheat, feed grains, upland cotton, extra long staple cotton, rice, and soybeans.

The payment rate for wheat would be the amount by which the established price for the crop of wheat exceeds the higher of (1) the national weighted average market price received by producers during the first 5 months of the marketing year for such crop, or (2) the loan level determined for such crop.

The established price for any crop of wheat for which marketing quotas are in effect could not be less than the higher of the national average cost of production per bushel of wheat, as determined by the Secretary under section 107D(a)(2) or $4.65 per bushel.

The established price for any crop of wheat for which marketing quotas are not in effect could not be less than (1) $4.55 per bushel for any portion of the crop (as determined on the basis of the farm program acreage and the farm program payment yield) that does not exceed 20,000 bushels, and (2) $4.00 per bushel for any portion of the crop (so determined) that is more than 20,000 bushels.

The total quantity on which deficiency payments would otherwise be payable to a producer on a farm for any crop is to be reduced by the quantity on which any disaster payment is made to the producer for the crop under section 107D(c)(2).

Section 107D(c)(2) requires the Secretary to make a prevented planting disaster payment to the producers on a farm if the Secretary determines that such producers are prevented from planting any portion of the acreage intended for wheat to wheat or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. The payment would be computed by multiplying (1) the number of acres so affected but not to exceed the acreage planted to wheat for harvest (including any acreage that the producers were prevented from planting because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year, by (2) 75 percent of the farm program payment yield established by the Secretary by (3) a payment rate equal to 33⅓ percent of the average of the established prices for the crop.

The Secretary is also required to make a reduced yield disaster payment to the producers on a farm if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of wheat that the producers are able to harvest on a farm is less than the result of multiplying 60 percent of the farm program payment yield established by the Secretary for such crop by the acreage planted for harvest for such crop. Payments would be at a rate equal to 50 percent of the average of the established prices for the crop for the deficiency in production below 60 percent.

Producers on a farm would not be eligible for (1) prevented planting disaster payments, if prevented planting crop insurance is available to them under the Federal Crop Insurance Act with respect to their wheat acreage, or (2) reduced yield disaster payments, if reduced yield crop insurance is available to them under such Act with respect to their wheat acreage.

Section 107D(c)(2) also authorizes the Secretary to make a disaster payment to producers on a farm if the Secretary determines that (1) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers on a farm have suffered substantial losses of production either from being prevented from planting wheat or other nonconserving crops or from reduced yields; (2) such losses have created an economic emergency for the producers; (3) crop insurance indemnity payments under the Federal Crop Insurance Act and other forms of assistance made available by the Federal Government to such producers for such losses are insufficient to alleviate such economic emergency; and (4) additional assistance must be made available to such producers to alleviate such economic emergency. The Secretary may make adjustments in the amount of payments made available under ths discretionary authority with respect to an individual farm to assure the equitable allotment of such payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

Section 107D(d)(1) requires the Secretary to proclaim a national program acreage for any crop of wheat for which marketing quotas are not in effect. The proclamation is to be made by July 1 of each calendar year for the crop harvested in the next succeeding calendar year. The Secretary may revise the national program acreage first proclaimed for any crop year for the purpose of determining the allocation factor under section 107D(d)(2) if necessary based on the latest information, and such revised national program acreage must be proclaimed as soon as it is made. The national program acreage for wheat is to be the number of harvested acres the Secretary determines (on the basis of the weighted national average of the farm program payment yields for the crop for which the determination is made) will produce the quantity (less imports) that the Secretary estimates will be utilized domestically and for export during the marketing year for such crop. If carryover stocks of wheat are excessive or an increase in stocks is needed to assure desirable carryover, the Secretary may adjust the national program acreage to increase or decrease carryover stocks.

Section 107D(d)(2) requires the Secretary to determine a program allocation factor for each crop of wheat for which marketing quotas are not in effect. The allocation factor is determined by dividing the national program acreage for the crop by the number of acres that the Secretary estimates will be harvested for such crop. However, in no event may the allocation factor for any crop of wheat be more than 100 percent or less than 80 percent.

Section 107D(d)(3) provides that the individual farm program acreage for each crop of wheat for which marketing quotas are not in effect is to be determined by multiplying the allocation factor by the acreage of wheat planted for harvest on the farms for which individual farm program acreages are required to be determined. The individual farm program acreage may not be further reduced by application of the allocation factor if the producers reduce the acreage of wheat planted for harvest on the farm from the acreage base established for the farm by at least the percentage recommended by the Secretary in the proclamation of the national program acreage. The Secretary is also to provide fair and equitable treatment for producers on farms on which the acreage of wheat planted for harvest is less than the acreage base, but for which the reduction is insufficient to exempt the farm from the application of the allocation factor. The allocation factor may be adjusted to reflect the extent of exemption of farms under the foregoing provisions.

For any crop of wheat for which marketing quotas are in effect, the individual farm program acreage would be the acreage on the farm that the Secretary determines is sufficient to produce the quantity of wheat equal to the farm marketing quota established for the farm under section 334 of the Agricultural Adjustment Act of 1938.

Section 107D(e) provides that the farm program payment yield for each crop of wheat is to be the yield established for the farm for the previous crop year, adjusted by the Secretary to provide a fair and equitable yield. If no payment yield was established for the farm in the previous crop year, the Secretary may determine a yield that is fair and reasonable.

In the determination of yields, the Secretary is required to take into account the actual yields proved by the producer, and neither the actual yields nor the farm program payment yield established on the basis of such yields may be reduced under other provisions of the subsection.

Section 107D(f)(1) authorizes the Secretary, for any crop of wheat for which marketing quotas are not in effect, to provide either for an acreage limitation program or a set-aside program if the Secretary determines that the total supply of wheat, in the absence of such a program, will be excessive. In making a determination of whether to provide for an acreage limitation or set-aside program, the Secretary must take into consideration the number of acres placed in the conservation acreage reserve established under the bill. Any such wheat acreage limitation program or set-aside program must be announced by July 1 prior to the calendar year in which the crop is harvested, except that not later than July 31 prior to the calendar year in which the crop is harvested, the Secretary may make adjustments in such an announcement if there has been a significant change in the total supply of wheat since the earlier announcement.

Section 107D(f)(2) provides that, if an acreage limitation program is announced, the limitation on the acreage planted to wheat is to be achieved by applying a uniform percentage reduction to the acreage base for each wheat-producing farm. The percentage reduction, however, could not exceed 20 percent. Producers who knowingly produce wheat in excess of the permitted wheat acreage for the farm would be ineligible for wheat loans, purchases, and payments with respect to that farm.

For the purpose of determining any reduction required to be made under an acreage limitation program, the acreage base for any farm would be the average acreage planted to wheat for harvest in the 5 crop years immediately preceding the year for which the determination is made. Acreage planted to wheat for harvest would include (1) any reduced acreage, set-aside acreage, and diverted acreage, and (2) any acreage that producers were prevented from planting to wheat or other nonconserving crops in lieu of wheat because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. Adjustments may be made in the acreage base to reflect established crop-rotation practices and other factors necessary in determining a fair and equitable base. The total of all crop acreage bases for a farm may not exceed the total cropland acreage on the farm.

A producer must devote to conservation uses a specified acreage as determined by dividing (1) the product obtained by multiplying the number of acres required to be withdrawn from production times the number of acres actually planted to wheat, by (2) the number of acres authorized to be planted to wheat under the limitation established by the Secretary.

Section 107D(f)(3) provides that, if a set-aside program is announced, then as a condition of eligibility for wheat loans, purchases, and payments (except as provided in section 107D(g)), the producers on a farm must set aside and devote to conversation uses a specified percentage (not to exceed 20 percent) of the acreage of wheat planted for harvest, and otherwise comply with such program. If a set-aside program is established, the Secretary may limit the acreage planted to wheat. Any such limitation must be applied on a uniform basis to all wheat-producing farms.

Adjustments in individual set-aside acreages may be made to correct for abnormal factors affecting production and to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, topography, and such other factors as the Secretary determines necessary.

Section 107D(f)(4) provides that the acreage required to be devoted to conservation uses must be protected from weeds and wind and water erosion. The Secretary may permit all or any part of such acreage to be devoted to sweet sorghum, hay and grazing, or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodity, if such production is needed to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

The bill requires the Secretary to permit, at the request of the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act for a State, all or any part of the acreage diverted from production in such State to be devoted to (1) hay and grazing in the case of the 1986 crop of wheat, and (2) grazing in the case of each of the 1987 through 1989 crops of wheat. Haying and grazing, however, would not be permitted during any 5-consecutive-month period that is established for such crop for a State by such State committee.

In determining the quantity of land to be devoted to conservation uses under an acreage limitation or set-aside program with respect to land that has been farmed under summer fallow practices, the Secretary would be required to consider the effects of soil erosion and such other factors as the Secretary considers appropriate.

Section 107D(f)(5) authorizes the Secretary to make land diversion payments to producers of wheat, whether or not an acreage limitation program, set-aside program, or marketing quota program for wheat is in effect, if land diversion payments are necessary to assist in adjusting the total national acreage of wheat to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into with the Secretary. Land diversion payments may be determined through the submission of bids or through other means. In determining the acceptability of contract offers, the Secretary must take into consideration the extent of the diversion to be undertaken and the productivity of the acreage diverted. The Secretary must also limit the total acreage to be diverted in any county or local community so as not to affect adversely the economy of the county or local community.

Section 107D(f)(6) provides that reduced acreage, set-aside acreage, and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out these purposes. The Secretary may also provide for an additional payment on such acreage if the producer agrees to permit, without other compensation, access to all or a portion of the farm by the general public for hunting, trapping, fishing, and hiking.

Section 107D(f)(7) provides that an operator who wants to participate in the program must execute an agreement with the Secretary by the date prescribed by the Secretary. The Secretary may, by mutual agreement with producers, terminate or modify any agreement because of an emergency created by drought or other disaster or a shortage in the supply of agricultural commodities.

Section 107D(g) authorizes the Secretary, for each of the 1986 through 1989 crops of wheat, to make payments available to producers who meet the requirements of the subsection. Such payments would be made in the form of wheat owned by the Commodity Credit Corporation, be subject to the availability of such wheat, and be determined in the same manner as provided in section 107D(b) relating to loan deficiency payments.

A producer would be eligible to receive a payment under subsection (g) if the producer (1) agrees to forgo obtaining a loan or purchase agreement under section 107D(a), (2) agrees to forgo receiving deficiency payments under section 107D(c), (3) does not plant wheat for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production under section 107D(f), and (4) otherwise complies with this section.

Section 107D(h) authorizes the Secretary to make available to producers who have failed to comply fully with program requirements loans, purchases, and payments in such amounts as the Secretary determines are equitable. The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet other requirements does not affect adversely the operation of the program.

Section 107D(i) authorizes the Secretary to issue regulations to carry out section 107D.

Section 107D(j) requires the Secretary to carry out the wheat program through the Commodity Credit Corporation.

Section 107D(k) provides that the provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act (relating to assignment of payments) are to apply to payments under this section.

Section 107D(l) requires the Secretary to provide for the sharing of payments among the producers on a farm on a fair and equitable basis.

Section 107D(m) requires the Secretary to provide adequate safeguards to protect the interests of tenants and sharecroppers.

Study of loan and deficiency payment rates for wheat classes

Section 408 requires the Secretary of Agriculture to conduct a study of the feasibility of establishing separate loan rates and deficiency payment rates for (1) hard red winter wheat, (2) soft red winter wheat, (3) hard red spring wheat, (4) white wheat, and (5) durum wheat, as defined in the official United States standards for wheat established under the United States Grain Standards Act based on the average prices received for these respective classes of wheat. Within 18 months after the date of enactment of the bill, the Secretary would be required to report the results of the study, together with recommendations for legislation, to the House and Senate agriculture committees.

Nonapplicability of certificate requirements

Section 409 suspends for 4 years (June 1, 1986, through May 31, 1990) sections 379d, 379e, 379f, 379g, 379h, 379i, and 379j of the Agricultural Adjustment Act of 1938 dealing with marketing certificate requirements for wheat processors and exporters. If the suspension of these sections is not extended, persons who engage in the processing of wheat into food products and exporters would be required to acquire and surrender marketing certificates after May 31, 1986.

Suspension of land use, wheat marketing allocation, and producer certificate provisions

Section 410(a) suspends for the 1986 crop sections 332, 333, 334, 336, and 338 of the Agricultural Adjustment Act of 1938 dealing with wheat marketing quotas, acreage allotments, land use, marketing allocation, and producer certificate provisions.

Section 410(b) suspends for 4 years (for the 1986 through 1989 crops) sections 331, 339, 379b, and 379c of the Agricultural Adjustment Act of 1938 dealing with wheat land use, marketing allocation, and producer certificate provisions. If the suspension of these provisions is not extended, they will again become effective with the 1986 crop.

Suspension of certain quota provisions

Section 411 suspends for 4 years (for the 1986 through 1989 crops) Public Law 74, 77th Congress (7 U.S.C. 1330, 1340) dealing with wheat marketing certificates and penalties. If the suspension of these provisions is not extended, they will again become effective with the 1986 crop.

Nonapplicability of section 107 of the Agricultural Act of 1949 to the 1986 through 1989 crops of wheat

Section 412 suspends for 4 years (for the 1986 through 1989 crops) section 107 of the Agricultural Act of 1949 dealing with price support for wheat when a marketing certificate program is in effect. If the suspension of this provision is not extended, the provisions will again become effective with the 1986 crop.

TITLE V—FEED GRAINS

Loan Rates, Target Prices, Disaster Payments, Feed Grain Acreage Reduction and Set-Aside Program, and Land Diversion for the 1986 Through 1989 Crops of Feed Grains

Section 501 amends the Agricultural Act of 1949, effective only for the 1986 through 1989 crops of feed grains, by adding a new section 105C. The present provisions of section 105B relating to the feed grain price support program are effective only through the 1985 crop of feed grains.

Section 105C(a)(1) requires the Secretary of Agriculture to make available to producers loans and purchases for each of the 1986 through 1989 crops of corn at such level as the Secretary determines will encourage the exportation of feed grains and not result in excessive total stocks of feed grains after taking into consideration the cost of producing corn, supply and demand conditions, and world prices for corn. The loan and purchase level, however, may not be less than the following:

(1) in the case of the 1986 crop of corn, $2.40 per bushel, and
(2) in the case of each of the 1987 through 1989 crops of corn, 75 percent, nor more than 85 percent, of the simple average price received by producers of corn, as determined by the Secretary, during the immediately 5 marketing years, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period.

The loan and purchase level for a crop determined under clause (2) could not be reduced by more than 5 percent from the level determined for the preceding crop.

If the Secretary determines that the average price of corn received by producers in any marketing year is not more than 110 percent of the loan and purchase level for corn for such marketing year, the Secretary may reduce the loan and purchase level for the next marketing year by the amount the Secretary determines necessary to maintain domestic and export markets for grain. However, the loan and purchase level may not be reduced under this provision by more than 20 percent in any year. Also, any reduction in the loan and purchase level for corn under this provision is not to be considered in determining the loan and purchase level for subsequent years.

The bill also requires the Secretary to permit a producer to repay a loan made under the feed grain program for a crop at a level that is the lesser of—

(1) the loan level determined for such crop, or

(2) the higher of (i) 70 percent of the loan level determined for such crop; (ii) if the loan level for a crop was reduced under section 105C(a)(1)(C) (relating to the authority to reduce the loan level for a year by up to 20 percent if the average price of corn for the preceding year is not more than 110 percent of the loan level for such year), 70 percent of the loan level that would have been in effect but for the reduction under subparagraph (C); or (iii) the prevailing world market price for such feed grain, as determined by the Secretary.

The Secretary is to prescribe by regulation a formula to define the prevailing world market price for feed grains and a mechanism by which the Secretary announces periodically such prevailing world market price.

For purposes of this section, the average price received by producers for the immediately preceding marketing year is to be based on the latest information available to the Secretary at the time of the determination.

Section 105C(a)(2) requires the Secretary to make available to producers loans and purchases for each of the 1986 through 1989 crops of grain sorghums, barley, oats, and rye, respectively, at such level as the Secretary determines is fair and reasonable in relation to the level that loans and purchases are made available for corn, taking into consideration the feeding value of such commodity in relation to corn and other factors specified in section 401(b) of the Agricultural Act of 1949.

Section 105C(b) authorizes the Secretary, for each of the 1986 through 1989 crops of corn, grain sorghums, barley, oats, and rye, to make payments available to producers who, although eligible to obtain a feed grain loan or purchase agreement, agree to forego obtaining such loan or agreement in return for such payments. A payment under this subsection is computed by multiplying the loan payment rate by the quantity of such feed grains the producer is eligible to place under loan. For purposes of this subsection, the quantity of feed grains eligible to be placed under loan may not exceed the individual farm program acreage for the crop multiplied by the farm program payment yield established for the farm. Also, the loan payment rate is the amount by which the loan level determined for the crop exceeds the level at which a loan may be repaid under section 105C(a)(1)(D).

Section 105C(1) requires the Secretary to make available to producers deficiency payments for each of the 1986 through 1989 crops of corn, grain sorghums, oats, and, if designated by the Secretary, barley. Such payment are computed by multiplying (1) the payment rate, by (2) the farm program acreage for the crop, by (3) the farm program payment yield for the crop.

The bill provides a mechanism under which a producer could receive deficiency payments on a larger acreage than the acreage actually planted to feed grains. This mechanism would be applicable in 3 situations: (1) when the producer reduces the acreage of feed grains planted for harvest from the acreage base by at least the percentage recommended by the Secretary in the announcement of the national program acreage, (2) when an acreage limitation program is in effect, and (3) when a set-aside program is in effect and the Secretary has announced a limitation on the acreage planted to feed grains. In each of these situations, if the producer plants at least 50 percent of the acreage base (reduced by the percentage recommended by the Secretary), the permitted feed grain acreage, or the limited farm acreage, respectively, to feed grains or a nonprogram crop, any portion of the acreage base (reduced by the percentage recommended by the Secretary), the permitted feed grain acreage, or the limited farm acreage, respectively, that is devoted to conserving uses or nonprogram crops would be considered as part of the individual farm program acreage, and the producer would be eligible for deficiency payments with respect to such acreage. Such acreage would also be considered to be planted to feed grains. For purposes of this provision, a "nonprogram" crop means any agricultural commodity other than wheat, feed grains, upland cotton, extra long staple cotton, rice, and soybeans.

The payment rate for corn would be the amount by which the established price for the crop of corn exceeds the higher of (1) the national weighted average market price received by producers during the first 5 months of the marketing year for such crop, or (2) the loan level determined for such crop.

The established price for corn could not be less than $3.303 per bushel for each of the 1981 through 1989 crops.

The payment rate for grain sorghums, oats, and, if designated by the Secretary, barley, would be such rate as the Secretary determines is fair and reasonable in relation to the rate at which payments are made available for corn.

The total quantity on which deficiency payments would otherwise be payable to a producer on a farm for any crop are to be reduced by the quantity on which any disaster payment is made to the producer for the crop under section 105C(c)(2).

Section 105C(c)(2) requires the Secretary to make a prevented planting disaster payment to the producers on a farm if the Secretary determines that such producers are prevented from planting any portion of the acreage intended for feed grains to feed grains or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. The payment would be computed by multiplying (1) the number of acres so affected but not to exceed the acreage planted to feed grains for harvest (including any acreage that the producers were prevented from planting because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year, by (2) 75 percent of the farm program payment yield established by the Secretary, by (3) a payment rate equal to 33⅓ percent of the established price for the crop.

The Secretary is also required to make a reduced yield disaster payment to the producers on a farm if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of feed grains that the producers are able to harvest on a farm is less than the result of multiplying 60 percent of the farm program payment yield established by the Secretary for such crop by the acreage planted for harvest for such crop. Payments would be at a rate equal to 50 percent of the established price for the crop for the deficiency in production below 60 percent.

Producers on a farm would not be eligible for (1) prevented planting disaster payments, if prevented planting crop insurance is available to them under the Federal Crop Insurance Act with respect to their feed grain acreage, or (2) reduced yield disaster payments, if reduced yield crop insurance is available to them under such Act with respect to their feed grain acreage.

Section 105C(c)(2) also authorizes the Secretary to make a disaster payment to the producers on a farm if the Secretary determines that (1) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers on a farm have suffered substantial losses of production either from being prevented from planting feed grains or other nonconserving crops or from reduced yields; (2) such losses have created an economic emergency for the producers; (3) crop insurance indemnity payments under the Federal Crop Insurance Act and other forms of assistance made available by the Federal Government to such producers for such losses are insufficient to alleviate such economic emergency; and (4) additional assistance must be made available to such producers to alleviate such economic emergency. The Secretary may make adjustments in the amount of payments made available under this discretionary authority with respect to an individual farm to assure the equitable allotment of such payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

Section 105C(d)(1) requires the Secretary to proclaim a national program acreage for each of the 1986 through 1989 crops of feed grains. The proclamation is to be made by November 15 of each calendar year for the crop harvested in the next succeeding calendar year. The Secretary may revise the national program acreage first proclaimed for any crop year for the purpose of determining the allocation factor under section 105C(d)(2) if necessary based on the latest information, and such revised national program acreage must be proclaimed as soon as it is made. The national program acreage for feed grains is to be the number of harvested acres the Secretary determines (on the basis of the weighted national average of the farm program payment yields for the crop for which the determination is made) will produce the quantity (less imports) that the Secretary estimates will be utilized domestically and for export during the marketing year for such crop. If carryover stocks of feed grains are excessive or an increase in stocks is needed to assure desirable carryover, the Secretary may adjust the national program acreage to increase or decrease carryover stocks.

Section 105C(d)(2) requires the Secretary to determine a program allocation factor for each crop of feed grains. The allocation factor is determined by dividing the national program acreage for the crop by the number of acres that the Secretary estimates will be harvested for such crop. However, in no event may the allocation factor for any crop of feed grains be more than 100 percent nor less than 80 percent.

Section 105C(d)(3) provides that the individual farm program acreage for each crop of feed grains is to be determined by multiplying the allocation factor by the acreage of feed grains planted for harvest on the farms for which individual farm program acreages are required to be detemined. The individual farm program acreage may not be further reduced by application of the allocation factor if the producers reduce the acreage of feed grains planted for harvest on the farm from the acreage base established for the farm by at least the percentage recommended by the Secretary in the proclamation of the national program acreage. The Secretary is also to provide fair and equitable treatment for producers on farms on which the acreage of feed grains planted for harvest is less than the acreage base, but for which the reduction is insufficient to exempt the farm from the application of the allocation factor. The allocation factor may be adjusted to reflect the extent of the exemption of farms under the foregoing provisions.

Section 105C(e) provides that the farm program payment yield for each crop of feed grains would be the yield established for the farm for the previous crop year, adjusted by the Secretary to provide a fair and equitable yield. If no payment yield was established for the farm in the previous crop year, the Secretary may determine a yield that is fair and reasonable.

In the determination of yields, the Secretary is required to take into account the actual yields provided by the producer, and neither the actual yields nor the farm program payment yield established on the basis of such yields may be reduced under other provisions of the subsection.

Section 105C(f)(1) authorizes the Secretary to provide for any crop either for an acreage limitation program or a set-aside program if the Secretary determines that the total supply of feed grains, in the absence of such a program, will be excessive.

In making a determination of whether to provide for an acreage limitation or set-aside program, the Secretary must take into consideration the number of acres placed in the conservation acreage reserve established under the bill. Any such feed grain acreage limitation program or set-aside program must be announced by November 15 prior to the calendar year in which the crop is harvested.

Section 105C(f)(2) provides that, if an acreage limitation program is announced, the limitation on the acreage planted to feed grains is to be achieved by applying a uniform percentage reduction to the acreage base for each feed grain-producing farm. The percentage reduction, however, could not exceed 15 percent. Producers who knowingly produce feed grains in excess of the permitted feed grain acreage for the farm would be ineligible for feed grain loans, purchases, and payments with respect to that farm.

The bill also provides that the Secretary may exempt any producer of malting barley from any acreage limitation if such producer has previously produced a malting variety of barley, plants barley only of an acceptable malting variety for harvest, and meets such other conditions as the Secretary may prescribe.

For the purpose of determining any reduction required to be made under an acreage limitation program, the acreage base for any farm would be the average acreage planted to feed grains for harvest in the 5 crop years immediately preceding the year for which the determination is made. Acreage planted to feed grains for harvest would include (1) any reduced acreage, set-aside acreage, and diverted acreage, and (2) any acreage that producers were prevented from planting to feed grains or other nonconserving crops in lieu of feed grains because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. Adjustments may be made in the acreage base to reflect established crop-rotation practices and other factors necessary in determining a fair and equitable base. Also, that total of all crop acreage bases for a farm may not exceed the total cropland acreage on the farm.

A producer must devote to conservation uses a specified acreage as determined by dividing (1) the product obtained by multiplying the number of acres required to be withdrawn from production times the number of acres actually planted to feed grains, by (2) the number of acres authorized to be planted to feed feed grains under the limitation established by the Secretary.

Section 105C(f)(3) provides that, if a set-aside program is announced, then as a condition of eligibility for feed grain loans, purchases, and payments (except as provided in section 105C(g)), the producers on a farm must set aside and devote to conservation uses a specified percentage (not to exceed 15 percent) of the acreage of feed grains planted for harvest, and otherwise comply with such program. If a set-aside program is established, the Secretary may limit the acreage planted to feed grains. Any such limitation must be applied on a uniform basis to all feed grain-producing farms. Adjustments in individual set-aside acreages may be made to correct for abnormal factors affecting production and to give due consideration to tillable acreage, crop-rotation practices, types of soil and water conservation measures, topography, and such other factors as the Secretary determines necessary.

Section 105C(f)(4) provides that acreage required to be devoted to conservation uses must be protected from weeds and wind and water erosion. The Secretary may permit all or any part of such acreage to be devoted to sweet sorghum, hay and grazing or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodity, if such production is needed to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

Section 105C(f)(5) authorizes the Secretary to make land diversion payments to producers of feed grains, whether or not an acreage limitation or set-aside program for feed grains is in effect, if land diversion payments are necessary to assist in adjusting the total national acreage of feed grains to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into with the Secretary. Land diversion payments may be determined through the submission of bids or other means. In determining the acceptability of contract offers, the Secretary must take into consideration the extent of the diversion to be undertaken and the productivity of the acreage diverted. The Secretary must also limit the total acreage to be diverted in any county or local community so as not to affect adversely the economy of the county or local community.

Section 105C(f)(6) provides that reduced acreage, set-aside acreage, and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out these purposes. The Secretary may also provide for an additional payment on such acreage if the producer agrees to permit, without other compensation, access to all or a portion of the farm, by the general public, for hunting trapping, fishing, and hiking.

Section 105C(f)(7) provides that an operator who wants to participate in the program must execute an agreement with the Secretary by the date prescribed by the Secretary. The Secretary may, by mutual agreement with producers, terminate or modify any agreement because of an emergency created by drought or other disaster or a shortage in the supply of agricultural commodities.

Section 105C(g) authorizes the Secretary, for each of the 1986 through 1989 crops of cron, grain sorghums, oats, and, if designated by the Secretary, barley, to make payments available to producers who meet the requirements of this subsection. Such payments would be made in the form of such feed grains owned by the Commodity Credit Corporation, be subject to the availability of such feed grains, and be determined in the same manner as provided in section 105C(b) relating to loan deficiency payments.

A producer would be eligible to receive a payment under subsection (g) if the producer (1) agrees to forego obtaining a loan or purchase agreement under section 105C(a), (2) agrees to forgo receiving deficiency payments under section 105C(c), (3) does not plant feed grains for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production under section 105C(f), and (4) otherwise complies with this section.

Section 105C(h) authorizes the Secretary to make available to producers who have failed to comply with program requirements loans, purchases, and payments in such amounts as the Secretary determines are equitable. The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet other requirements does not affect adversely the operation of the program.

Section 105C(i) authorizes the Secretary to issue regulations to carry out section 105C.

Section 105C(j) requires the Secretary to carry out the feed grain program through the Comodity Credit Corporation.

Section 105C(k) provides that the provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act (relating to assignment of payments) are to apply to payments under this section.

Section 105C(l) requires the Secretary to provide for the sharing of payments among the producers on a farm on a fair and equitable basis.

Section 105C(m) requires the Secretary to provide adequate safeguards to protect the interest of tenants and sharecroppers.

Nonapplicability of section 105 of the Agricultural Act of 1949 to the 1986 through 1989 crops of feed grains

Section 502 makes section 105 of the Agricultural Act of 1949 inapplicable to the 1986 through 1989 crops of feed grains. If the suspension of this provision is not extended, the provision will again become effective with the 1990 crop.

TITLE VI—COTTON

Loan rates, target prices, disaster payments, cotton acreage reduction and set-aside program, and land diversion for the 1986 through 1989 crops of upland cotton

Section 601 amends the Agricultural Act of 1949, effective only for the 1986 through 1989 crops of upland cotton, by adding a new section 103A. The present provisions of section 103(g) relating to the upland cotton price support program are effective only through the 1985 crop of cotton.

Section 103A(a)(1) requires the Secretary of Agriculture, on presentation of warehouse receipts reflecting accrued storage charges of not more than 60 days, to make available for the 1986 through 1989 crops of upland cotton to producers nonrecourse loans for a term of 10 months from the first day of the month in which the loan is made. Such loans would be made at such level as will reflect for Strict Low Middling one and one sixteenth inch upland cotton (micronaire 3.5 through 4.9) at average location in the United States a level that is not less than—

(1) in the case of the 1986 crop of upland cotton, 55 cents per pound; and

(2) in the case of each of the 1987 through 1989 crops of upland cotton, the higher of (i) 85 percent of the average price (weighted by market and month) of such quality of cotton as quoted in the designated United States spot markets during 3 years of the 5-year period ending July 31 in the year in which the loan is announced, exclusing the year in which the average price was the highest and the year in which the average price was the lowest in such period, or (ii) 50 cents per pound.

Section 103A(a)(2) provides that the loan level for any crop determined under clause (2) above may not be reduced by more than 5 percent from the loan level determined for the preceding crop.

Section 103A(a)(3) requires the loan level for any crop of cotton to be determined and announced by the Secretary by November 1 of the calendar year preceding the marketing year for which such loan is to be effective. Such level may not thereafter be changed.

Section 103A(a)(4) provides that upland cotton nonrecourse loans must, on request of the producer during the 10th month of the loan period, be made available for an additional term of 8 months. However, such a request to extend the loan period may not be approved in any month in which the average price of Strict Low Middling one and one-sixteenth inch cotton (micronaire 3.5 through 4.9) in the designated spot markets for the preceding month exceeded 130 percent of the average price of such quality of cotton in such markets for the preceding 36-month period.

Section 103A(a)(5) requires the Secretary to permit a producer to repay a loan made under the upland cotton program for a crop at a level that is the lesser of (1) the loan level determined for such crop, or (2) the prevailing world market price for cotton (adjusted to United States quality and location), as determined by the Secretary. For each of 1987 through 1989 crops of cotton, if the world market price for cotton (adjusted to United States quality and location) is less than 80 percent of the loan level for such crop, the Secretary may permit a producer to repay a loan for a crop at such level (not in excess of 80 percent of the loan level for such crop) as the Secretary determines will (1) minimize potential loan forfeitures, (2) minimize the accumulation of cotton stocks by the Federal Government, (3) minimize the cost incurred by the Federal Government in storing cotton, and (4) allow cotton produced in the United States to be marketed freely and competitively, both domestically and internationally.

The bill requires the Secretary to prescribe by regulation a formula to define the prevailing world market price for cotton and a mechanism by which the Secretary periodically announces the prevailing world market price. Within 60 days after the date of enactment of the bill, the Secretary must publish in the Federal Register proposed regulations specifying this formula and mechanism and invite public comment on the proposal.

Section 103A(b) authorizes the Secretary, for each of the 1986 through 1989 crops of upland cotton, to make payments available to producers who, although eligible to obtain a cotton loan, agree to forgo obtaining such loan in return for such payments. A payment under this subsection is computed by multiplying the loan payment rate by the quantity of upland cotton the producer is eligible to place under loan. For purposes of this subsection, the quantity of upland cotton eligible to be placed under loan may not exceed the individual farm program acreage for the crop (determined under subsection (g) or (i)(2)) multiplied by the farm program payment yield (determined under subsection (h)). Also, the loan payment rate is the amount by which the loan level determined for the crop exceeds the level at which a loan may be repaid under section 103A(a)(5).

Section 103A(c)(1) requires the Secretary to make available to producers payments for each of the 1986 through 1989 crops of upland cotton.

Section 103A(c)(2) provides that such payments are computed by multiplying (1) the payment rate, by (2) the farm program payment yield for the crop, by (3) the individual farm program acreage.

Section 103A(c)(3) provides a mechanism under which a producer could receive deficiency payments on a larger acreage than the acreage actually planted to upland cotton. This mechanism would by applicable in 3 situations: (1) when the producer reduces the acreage of upland cotton planted for harvest from the acreage base by at least the percentage recommended by the Secretary in the announcement of the national program acreage, (2) when an acreage limitation program is in effect, and (3) when a set-aside program is in effect and the Secretary has announced a limitation on the acreage planted to upland cotton. In each of these situations, if the producer plants at least 50 percent of the acreage base (reduced by the percentage recommended by the Secretary), the permitted cotton acreage, or the limited farm acreage, respectively, to upland cotton or a nonprogram crop, any portion of the acreage base (reduced by the percentage recommended by the Secretary), the permitted upland cotton acreage, or the limited farm acreage, respectively, that is devoted to conserving uses or nonprogram crops would be considered as part of the individual farm program acreage, and the producer would be eligible for deficiency payments with respect to such acreage. Such acreage would also be considered to be planted to upland cotton. For purposes of this provision, a "nonprogram" crop means any agricultural commodity other than wheat, feed grains, upland cotton, extra long staple cotton, rice, and soybeans.

Section 103A(c)(4) provides that the payment rate for upland cotton is to be the amount by which the established price per pound for the crop of upland cotton exceeds the higher of (1) the average market price received by producers for upland cotton during the calendar year that includes the first 5 months of the marketing year for such crop, or (2) the loan level determined for such crop.

Section 103A(c)(5) provides that the established price for upland cotton could not be less than $0.81 per pound for each of the 1986 and 1989 crops.

Section 103A(c)(6) provides that the total quantity of upland cotton on which deficiency payments would otherwise be payable to a producer on a farm for any crop are to be reduced by the quantity on which any disaster payment is made to the producer for the crop under section 130A(d).

Section 103A(d)(1) requires the Secretary to make a prevented planting disaster payment to the producers on a farm if the Secretary determines that such producers are prevented from planting any portion of the acreage intended for cotton to cotton or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. The payment would be computed by multiplying (1) the number of acres so affected but not to exceed the acreage planted to cotton for harvest (including any acreage that the producers were prevented from planting because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year, by (2) 75 percent of the farm program payment yield established by the Secretary, by (3) a payment rate equal to 33⅓ percent of the established price for the crop.

Section 103A(d)(2) requires the Secretary to make a reduced yield disaster payment to the producers on a farm if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of cotton that the producers are able to harvest on a farm is less than the result of multiplying 75 percent of the farm program payment yield established by the Secretary for such crop by the acreage planted for harvest for such crop. Payments would be at a rate equal to 33⅓ percent of the established price for the crop for the deficiency in production below 75 percent for the crop.

Section 103A(d)(3) provides that producers on a farm would not be eligible for (1) prevented planting disaster payments, if prevented planting crop insurance is available to them under the Federal Crop Insurance Act with respect to their cotton acreage, or (2) reduced yield disaster payments, if reduced yield crop insurance is available to them under such Act with respect to their cotton acreage.

Section 103A(d)(4) authorizes the Secretary to make a disaster payment to the producers on a farm if the Secretary determines that (1) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers on a farm have suffered substantial losses of production either from being prevented from planting cotton or other nonconserving crops or from reduced yields; (2) such losses have created an economic emergency for the producers; (3) crop insurance indemnity payments under the Federal Crop Insurance Act and other forms of assistance made available by the Federal Government to such producers for such losses are insufficient to alleviate such economic emergency; and (4) additional assistance must be made available to such producers to alleviate such economic emergency. The Secretary may make adjustments in the amount of payments made available under this discretionary authority with respect to an individual farm to assure the equitable allotment of such payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

Section 103A(e) requires the Secretary to establish for each of the 1986 through 1989 crops of upland cotton a national program acreage. Such national program acreage is to be announced by the Secretary by November 1 of the calendar year preceding the year for which such acreage is established. The Secretary may revise the national program acreage first announced for any crop year for the purpose of determining the allocation factor under section 103A(f) if necessary based on the latest information, and such revised national program acreage must be announced as soon as it has been made.

The national program acreage for upland cotton is to be the number of harvested acres the Secretary determines (on the basis of the estimated weighted national average of the farm program yields for the crop for which the determination is made) will produce the quantity (less imports) that the Secretary estimates will be utilized domestically and for export during the marketing year for such crop. The Secretary may adjust the national program acreage to provide for an adequate but not excessive total supply of cotton. In no event may the national program acreage be less than 10 million acres.

Section 103A(f) requires the Secretary to determine a program allocation factor for each crop of upland cotton (not to exceed 100 percent) by dividing the national program acreage for the crop by the number of acres that the Secretary estimates will be harvested for such crop.

Section 103A(g) provides that the individual farm program acreage for each crop of upland cotton is to be determined by multiplying the allocation factor by the acreage of cotton planted for harvest on the farms for which individual farm program acreages are required to be determined. The individual farm program acreage may not be further reduced by application of the allocation factor if the procedures reduce the acreage of cotton planted for harvest from the acreage based established for the farm by at least the percentage recommended by the Secretary in the announcement of the national program acreage. The Secretary is also to provide fair and equitable treatment for producers on farms on which the acreage of cotton planted for harvest is less than the acreage base, but for which the reduction is insufficient to exempt the farm from the application of the allocation factor. The allocation factor may be adjusted to reflect the extent of exemption of farms under the foregoing provisions.

Section 103A(h) provides that the farm program payment yield for each crop of upland cotton is to be determined on the basis of the actual yields per harvested acre on the farm for the proceding 3 years, except that the actual yields are to be adjusted by the Secretary for abnormal yields in any year caused by drought, flood, or other natural disaster, or other condition beyond the control of the producers. In case farm yield data for 1 or more years are unavailable or there was no production, the Secretary is to provide for appraisals to be made on the basis of actual yields and program payment yields for similar farms in the area for which data are available.

In the determination of yields, the Secretary is required to take into account the actual yields proved by the producer, and neither the actual yields nor the farm program payment yield established on the basis of such yields may be reduced under other provisions of this subsection.

Section 103A(i)(1) authorizes the Secretary to provide for any crop either for an acreage limitation program of a set-aside program, if the Secretary determines that the total supply of upland cotton, in the absence of such a program, would be excessive. In making a determination of whether to provide for an acreage limitation or set-aside program, the Secretary must take into consideration the number of acres placed in the conservation acreage reserve established under the bill. Any such upland cotton acreage limitation or set-aside program must be announced by November 1 prior to the calendar year in which the crop is harvested.

Section 103A(i)(2) provides that, if an acreage limitation program is announced, the limitation on the acreage planted to upland cotton is to be achieved by applying uniform percentage reduction to the acreage based for each cotton-producing farm. The percentage reduction, however, could not exceed 20 percent. Producers who knowingly produce upland cotton in excess of the permitted upland cotton acreage for the farm would be ineligible for upland cotton loans and payments with respect to that farm.

For the purpose of determining any reduction required to be made under an acreage limitation program, the acreage base for any farm would be—

(1) in the case of the 1986 crop of upland cotton, the average acreage planted to upland cotton for harvest in the 2 crop years immediately preceding the year for which the determination is made;

(2) in the case of the 1987 crop of upland cotton, the average acreage planted to upland cotton for harvest in the 3 crop years immediately preceding the year for which the determination is made;

(3) in the case of the 1988 crop of upland cotton, the average acreage planted to upland cotton for harvest in the 4 crop years immediately preceding the year for which the determination is made; and

(4) in the case of the 1989 crop of upland cotton, the average acreage planted to upland cotton for harvest in the 5 crop years immediately preceding the year for which the determination is made.

Acreage planted to upland cotton for harvest would include (1) any reduced acreage, set-aside acreage, and diverted acreage, and (2) any acreage that producers were prevented from planting to upland cotton or other nonconserving crops in lieu of upland cotton because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. Adjustments may be made in the acreage base to reflect established crop-rotation practices and other factors necessary in determining a fair and equitable base.

The bill provides that in no event may the total of all crop acreage bases for any farm exceed the total acreage of cropland on the farm.

A producer must devote to conservation uses a specified acreage as determined by dividing (1) the product obtained by multiplying the number of acres required to be withdrawn from production times the number of acres actually planted to upland cotton, by (2) the number of acres authorized to be planted to upland cotton under the limitation established by the Secretary.

Section 103A(i)(3) provides that, if a set-aside program is announced, then as a condition of eligibility for loans and payments (except as provided in section 105C(j)), the producers on a farm must set aside and devote to conservation uses a specified percentage (not to exceed 20 percent) of the acreage of upland cotton planted for harvest, and otherwise comply with such program. If a set-aside program is established, the Secretary may limit the acreage planted to upland cotton. Any such limitation must be applied on a uniform basis to all cotton-producing farms. Adjustments in individual set-aside acreages may be made to correct for abnormal factors affecting production and to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, topography, and such other factors as the Secretary determines necessary.

Section 103A(i)(4) provides that acreage required to be devoted to conservation uses must be protected from weeds and wind and water erosion. The Secretary may permit all or any part of such acreage to be devoted to sweet sorghum, hay and grazing, or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodity, if such production is needed to provide an adequate supply of such commodities, is not likley to increase the cost of the price support program, and will not affect farm income adversely.

Section 103A(i)(5) authorizes the Secretary to make land diversion payments to producers of upland cotton, whether or not an acreage limitation or set-aside program for upland cotton is in effect, if land diversion payments are necessary to assist in adjusting the total national acreage of upland cotton to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into with the Secretary. Land diversion payments may be determined through the submission of bids or through other means. In determining the acceptability of contract offers, the Secretary must take into consideration the extent of the diversion to be undertaken and the productivity of the acreage diverted. The Secretary must also limit the total acreage to be diverted in any county or local community so as not to affect adversely the economy of the country or local community.

Section 103A(i)(6) provides that reduced acreage, set-aside, and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out these purposes. The Secretary may also provide for an additional payment on such acreage if the producer agrees to permit, without other compensation, access to all or a portion of the farm by the general public, for hunting, trapping, fishing, and hiking.

Section 103A(j) authorizes the Secretary, for each of the 1986 through 1989 crops of upland cotton, to make payments available to producers who meet the requirements of this subsection. Such payments would be made in the form of cotton owned by the Commodity Credit Corporation, be subject to the availability of such cotton, and be determined in the same manner as provided in section 103A(b) relating to loan deficiency payments.

A producer would be eligible to receive a payment under subsetion (g) if the producer (1) agrees to forgo obtaining a loan under section 103A(a), (2) agrees to forgo receiving payments under section 103A(c), (3) does not plant upland cotton for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted for production under section 103A(i), and (4) otherwise complies with this section.

Section 103A(k) provides that an operator who wants to participate in the program must execute an agreement with the Secretary by the date prescribed by the Secretary. The Secretary may, by mutual agreement with producers, terminate or modify any agreement because of an emergency created by drought or other disaster or a shortage in the supply of agricultural commodities.

Section 103A(1) requires the Secretary to provide for the sharing of payments made among the producers on a farm on a fair and equitable basis.

Section 103A(m) requires the Secretary to provide adequate safeguards to protect the interests of tenants and sharecroppers.

Section 103A(n) authorizes the Secretary to make available to producers who have failed to comply with program requirements loans and payments in such amounts as the Secretary determines are equitable. The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet such other requirements does not affect adversely the operation of the program.

Section 103A(o) authorizes the Secretary to issue regulations to carry out section 103A.

Section 103A(p) requires the Secretary to carry out the upland cotton program through the Commodity Credit Corporation.

Section 103A(q) provides that the provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act (relating to assignment of payments) are to apply to payments under this section.

Section 103A(r) requires the Secretary, in order to encourage and assist producers in the orderly ginning and marketing of their cotton production, to make recourse loans available to such producers on seed cotton in accordance with authority vested in the Secretary under the Commodity Credit Corporation Charter Act.

Section 103A(s) provides that whenever the Secretary determines that the average price of Strict Low Middling one and one-sixteenth inch cotton (micronaire 3.5 through 4.9) in the designated spot markets for a month exceeded 130 percent of the average price of such quality of cotton in such markets for the preceding 36 months, the President is required immediately to establish and proclaim a special limited global import quota for upland cotton subject to the following conditions:

(1) The quantity of the special quota must be equal to 21 days of domestic mill consumption of upland cotton at the seasonally adjusted average rate of the most recent 3 months for which data are available.

(2) If a special quota has been established during the preceding 12 months, the quantity of the quota next established must be the smaller of 21 days of domestic mill consumption or the quantity required to increase the supply to 130 percent of the demand.

(3) As used in subparagraph (2):

(i) The term "supply" means, using the latest official data of the Bureau of the Census, the Department of Agriculture, and the Department of the Treasury (I) the carryover of upland cotton at the beginning of the marketing year (adjusted to 480-pound bales) in which the special quota is established; (II) production of the current crop;

plus (III) imports to the latest date available during the marketing year.

(ii) The term "demand" means (I) the average seasonally adjusted annual rate of domestic mill consumption in the most recent 3 months for which data are available; plus (II) the larger of average exports of upland cotton during the preceding 6 marketing years or cumulative exports of upland cotton plus outstanding export sales for the marketing year in which the special quota is established.

(4) When a special quota is established, cotton may be entered under such quota during the 90-day period beginning on the effective date of the proclamation.

(5) A special quota period may not be established that overlaps an existing quota period.

Suspension of base acreage allotments, marketing quotas, and related provisions

Section 602 suspends for 4 years (for the 1986 through 1989 crops of upland cotton) the cotton marketing quota and acreage allotment provisions contained in sections 342, 343, 344, 345, 346, and 377 of the Agricultural Adjustment Act of 1938. These provisions are currently suspended through the 1985 crop, and if the suspension is not extended, they will again become effective with the 1986 crop.

Commodity Credit Corporation sales price restrictions

Section 603, effective only with respect to the period beginning August 1, 1978, and ending July 31, 1990, amends section 407 of the Agricultural Act of 1949. Under section 407 as amended, the Commodity Credit Corporation may not sell any of its stocks of upland cotton at less than (1) 115 percent of the loan rate for Strict Low Middling one-and-one-sixteenth-inch upland cotton (with adjustments as provided under existing law), or (2) if the Secretary permits the repayment of upland cotton loans at a rate that is less than the loan rate determined for the crop, 115 percent of the average loan repayment rate that is determined for such crop during the period of such loans.

Miscellaneous cotton provisions

Section 604 suspends for 4 years (for the 1986 through 1989 crops) section 103(a) of the Agricultural Act of 1949 which provides basic price support for upland cotton and section 203 of such Act which provides that whenever the price of either cottonseed or soybeans is supported, the price of the other must be supported at such level as will cause them to compete on equal terms in the market. These provisions are currently suspended through the 1985 crop, and if the suspension is not extended, they will again become effective with the 1986 crop.

Skiprow practices

Section 605 extends for 4 years (for the 1986 through 1989 crops) section 374(a) of the Agricultural Adjustment Act of 1938 which provides for the measurement of acreage where cotton is planted in skiprow patterns.

Preliminary allotments for 1990 crop of upland cotton

Section 606 provides that the permanent State, county, and farm base acreage allotments for the 1977 crop of upland cotton, adjusted for any underplantings in 1977 and reconstituted as provided in section 379 of the Agricultural Adjustment Act of 1938 are to be the preliminary allotments for the 1990 crop.

TITLE VII—RICE

Loan rates, target prices, disaster payments, rice acreage reduction and set-aside program, and land diversion for the 1986 through 1989 crops of rice

Section 701 amends the Agricultural Act of 1949, effective only for the 1986 through 1989 crops of rice, by adding a new section 101A. The present provisions of section 101(i) relating to the rice price support program are effective only through the 1985 crop of rice.

Section 101A(a)(1) requires the Secretary of Agriculture to make available to producers loans and purchasers for each of the 1986 through 1989 crops of rice at a level that is not less than—

(1) in the case of the 1986 crop of rice, $7.20 per hundredweight; and

(2) in the case of each of the 1987 through 1989 crops of rice, the higher of (i) 85 percent of the simple average price received by producers, as determined by the Secretary, during the immediately preceding 5 marketing years, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period; or (ii) $6.50 per hundredweight.

Section 101A(a)(2) provides that the loan level for a crop of rice determined under clause (2) above may not be reduced by more than 5 percent from the loan level determined for the preceding crop.

Section 101A(a)(3) requires the Secretary to permit a producer to repay a rice loan for a crop at a level that is the lesser of (1) the loan level determined for such crop, or (2) the higher of (i) 70 percent of such level, or (ii) the prevailing world market price for rice, as determined by the Secretary. The bill requires the Secretary to prescribe by regulation a formula to define the prevailing world market price for rice and a mechanism by which the Secretary announces periodically the prevailing world market price.

Section 101A(a)(4) provides that a loan made under this section mut be repaid within 9 months after the month in which the application for the loan is made.

Section 101A(a)(5) provides that for purposes of this section, the average price received by producers for the immediately preceding marketing year is to be based on the latest information available to the Secretary at the time of the determination.

Section 101A(a)(6) requires the loan and purchase level and the established price for each the 1986 through 1989 crops of rice to be announced by March 1 of each calendar year for the crop harvested in that calendar year.

Section 101A(b) authorizes the Secretary, for each of the 1986 through 1989 crops of rice, to make payments available to producers who, although eligible to obtain a rice loan or purchase agreement, agree to forego obtaining such loan or agreement in return for such payments. A payment under this subsection is computed by multiplying the loan payment rate by the quantity of rice the producer is eligible to place under loan. For purposes of this subsection, the quantity of rice eligible to be placed under loan may not exceed the individual farm program acreage for the crop multiplied by the yield established for the farm. Also, the loan payment rate is to be the amount by which the loan level determined for the crop exceeds the level at which a loan may be repaid under section 101A(a)(3).

Section 101A(c)(1) requires the Secretary to make available to producers payments for each of the 1986 through 1989 crops of rice.

Section 101A(c)(2) provides that such payments are computed by multiplying (1) the payment rate, by (2) the yield established for the farm for the crop, by (3) the individual farm program acreage.

Section 101A(c)(3) provides a mechanism under which a producer could receive deficiency payments on a larger acreage than the acreage actually planted to rice. This mechanism would be applicable in 3 situations: (1) when the producer reduces the acreage of rice planted for harvest from the acreage base by at least the percentage recommended by the Secretary in the announcement of the national program acreage, (2) when an acreage limitation program is in effect, and (3) when a set-aside program is in effect and the Secretary has announced a limitation on the acreage planted to rice. In each of these situations, if the producer plants at least 50 percent of the acreage base (reduced by the percentage recommended by the Secretary), the permitted rice acreage, or the limited farm acreage, respectively, to rice or a nonprogram crop, any portion of the acreage base (reduced by the percentage recommended by the Secretary), the permitted rice acreage, or the limited farm acreage, respectively, that is devoted to conserving uses or nonprogram crops would be considered as part of the individual farm program acreage, and the producer would be eligible for deficiency payments with respect to such acreage. Such acreage would also be considered to be planted to rice. For purposes of this provision, a "nonprogram" crop means any agricultural commodity other than wheat, feed grains, upland cotton, extra long staple cotton, rice, and soybeans.

Section 101A(c)(4) provides that the payment rate for rice is to be the amount by which the established price for the crop of rice exceeds the higher of (1) the national average market price received by producers during the first 5 months of the marketing year for such crop, or (2) the loan level determined for such crop.

Section 101A(c)(5) provides that the established price for rice could not be less than $11.90 per hundred weight for each of the 1986 through 1989 crops.

Section 101A(c)(6) provides that the yield established for the farm for any year is to be determined on the basis of the actual yields per harvested acre for the 3 preceding years. The actual yields are to be adjusted by the Secretary for abnormal yields in any year caused by drought, flood, or other natural disaster, or other condition beyond the control of the producers. If no rice was produced on the farm during such period, the yield is to be determined taking into consideration the yield of comparable farms in the surrounding area and other factors necessary to produce a fair and equitable yield.

Section 101A(c)(7) provides that the total quantity of rice on which deficiency payments would otherwise be payable to a producer on a farm for any crop are to be reduced by the quantity on which any disaster payment is made to the producer for the crop under section 101A(d).

Section 101A(d)(1) requires the Secretary to make a prevented planting disaster payment to the producers on a farm if the Secretary determines that such producers are prevented from planting any portion of the acreage intended for rice to rice or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. The payment would be computed by multiplying (1) the number of acres so affected but not to exceed the acreage planted to rice for harvest (including any acreage that the producers were prevented from planting because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year, by (2) 75 percent of the yield established for the farm by the Secretary, by (3) a payment rate equal to 33⅓ percent of the established price for the crop.

Section 101A(d)(2) requires the Secretary to make a reduced yield disaster payment to the producers on the farm if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of rice that the producers are able to harvest on a farm is less than the result of multiplying 75 percent of the yield established for the farm for such crop by the acreage planted for harvest for such crop. Payments would be at a rate equal to 33⅓ percent of the established price for the crop for the deficiency in production below 75 percent for the crop.

Section 101A(d)(3) provides that producers on a farm would not be eligible for (1) prevented planting disaster payments, if prevented planting crop insurance is available to the producers under the Federal Crop Insurance Act with respect to their rice acreage, or (2) reduced yield disaster payments, if reduced yield crop insurance is available to the producers under such Act with respect to their rice acreage.

Section 101A(d)(4) authorizes the Secretary to make a disaster payment to producers on a farm if the Secretary determines that (1) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers have suffered substantial losses of production either from being prevented from planting rice or other nonconserving crops or from reduced yields; (2) such losses have created an economic emergency for the producers; (3) crop insurance indemnity payments under the Federal Crop Insurance Act and other forms of assistance made available by the Federal Government to such producers for such losses is insufficient to alleviate such economic emergency; and (4) additional assistance must be made available to such producers to alleviate such economic emergency. The Secretary may make adjustments in the amount of payments made available under this discretionary authority with respect to an individual farm to assure the equitable allotment of such payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

Section 101A(e)(1) requires the Secretary to proclaim a national program acreage for each of the 1986 through 1989 crops of rice. The proclamation is to be made by January 31 of each calendar year for the crop harvested in that calendar year. The Secretary may revise the national program acreage first proclaimed for any crop year for the purpose of determining the allocation factor under section 101A(e)(2) if necessary based on the latest information, and such revised national program acreage must be proclaimed as soon as it is made.

The national program acreage for rice is to be the number of harvested acres the Secretary determines (on the basis of the weighted national average of the farm established yields for the crop for which the determination is made) will produce the quantity (less imports) that the Secretary estimates will be utilized domestically and for export during the marketing year for such crop. The Secretary may adjust the national program acreage to increase or decrease carryover stocks.

Section 101A(e)(2) requires the Secretary to determine a program allocation factor for each crop of rice by dividing the national program acreage for the crop by the number of acres that the Secretary estimates will be harvested for such crop. However, the allocation factor may not be more than 100 percent nor less that 80 percent.

Section 101A(e)(3) provides that the individual farm program acreage for each crop of rice is to be determined by multiplying the allocation factor by the acreage of rice planted for harvest on the farms for which individual farm program acreages are required to be determined. The individual farm program acreage may not be further reduced by application of the allocation factor if the producers reduce the acreage of rice planted for harvest from the acreage base established for the farm by at least the percentage recommended by the Secretary in the proclamation of the national program acreage. The Secretary is also to provide fair and equitable treatment for producers on farms on which the acreage of rice planted for harvest is less than the acreage base, but for which the reduction is insufficient to exempt the farm from the application of the allocation factor. The allocation factor may be adjusted to reflect the extent of exemption of farms under the foregoing provisions.

Section 101A(f)(1) authorizes the Secretary to provide for any crop either for an acreage limitation program or a set-aside program, if the Secretary determines that the total supply of rice, in the absence of such a program, would be excessive.

In making a determination of whether to provide for an acreage limitation or set-aside program, the Secretary must take into consideration the number of acres placed in the conservation acreage reserve established under the bill. Any such rice acreage limitation program or set-aside program must be announced by January 31 of the calendar year in which the crop for which the announcement is made is harvested.

Section 101A(f)(2) provides that, if an acreage limitation program is announced, the limitation on the acreage planted to rice is to be achieved by applying a uniform percentage reduction to the acreage base for each rice-producing farm. The percentage reduction, however, could not exceed 35 percent. Producers who knowingly produce rice in excess of the permitted rice acreage for the farm would be ineligible for rice loans, purchases, and payments with respect to that farm.

For the purpose of determining any reduction required to be made under an acreage limitation program, the acreage base for any farm would be—

(1) in the case of the 1986 crop of rice, the average acreage planted to rice for harvest in the 2 crop years immediately preceding the year for which the determination is made;

(2) in the case of the 1987 crop of rice, the average acreage planted to rice for harvest in the 3 crop years immediately preceding the year for which the determination is made;

(3) in the case of the 1988 crop of rice, the average acreage planted to rice for harvest in the 4 crop years immediately preceding the year for which the determination is made; and

(4) in the case of the 1989 crop of rice, the average acreage planted to rice for harvest in the 5 crop years immediately preceding the year for which the determination is made.

Acreage planted to rice for harvest would include (1) any reduced acreage, set-aside acreage, and diverted acreage, and (2) any acreage that producers were prevented from planting to rice or other nonconserving crops in lieu of rice because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. Adjustments may be made in the acreage base to reflect established crop-rotation practices and other factors necessary in determining a fair and equitable base.

The bill provides that in no event may the total of all crop acreage bases for any farm exceed the total acreage of cropland on the farm.

A producer must devote to conservation uses a specified acreage as determined by dividing (1) the product obtained by multiplying the number of acres required to be withdrawn from production times the number of acres actually planted to rice, by the number of acres authorized to be planted to rice under the limitation established by the Secretary.

Section 101A(f)(3) provides that, if a set-aside program is announced, then as a condition of eligibility for loans, purchases, and payments (except as provided in section 101A(g)), the producers on a farm must set aside and devote to conservation uses a specified percentage (not to exceed 35 percent) of the acreage of rice planted for harvest, and otherwise comply with such program. If a set-aside program is established, the Secretary may limit the acreage planted to rice. Any such limitation must be applied on a uniform basis to all rice-producing farms. Adjustments in individual set-aside acreages may be made to correct for abnormal factors affecting production and to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, topography, and such other factors as the Secretary determines necessary.

Section 101A(f)(4) provides that acreage required to be devoted to conservation uses must be protected from weeds and wind and water erosion. The Secretary may permit all or any part of such acreage to be devoted to sweet sorghum, hay and grazing, or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodity, if such production is needed to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

Section 101A(f)(5) authorizes the Secretary to make land diversion payments to producers of rice, whether or not an acreage limitation or set-aside program for rice is in effect, if land diversion payments are necessary to assist in adjusting the total national acreage of rice to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into with the Secretary. Land diversion payments may be determined through the submission of bids or through other means. In determining the acceptability of contract offers, the Secretary must take into consideration the extent of the diversion to be undertaken and the productivity of the acreage diverted. The Secretary must also limit the total acreage to be diverted in any county or local community so as not to affect adversely the economy of the county or local community.

Section 101A(f)(6) provides that reduced acreage, set-aside acreage, and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out these purposes. The Secretary may also provide for an additional payment on such acreage if the prodcuer agrees to permit, without other compensation, access to all or a portion of the farm by the general public, for hunting, trapping, fishing, and hiking.

Section 101A(f)(7) provides that an operator who wants to participate in the program must execute an agreement with the Secretary by the date prescribed by the Secretary. The Secretary may, by mutual agreement with producers, terminate or modify any agreement because of an emergency created by drought or other disaster or a shortage in the supply of agricultural commodities.

Section 101A(g) authorizes the Secretary, for each of the 1986 through 1989 crops of rice, to make payments available to producers who meet the requirements of this subsection. Such payments would be made in the form of rice owned by the Commodity Credit Corporation, be subject to the availability of such rice, and be determined in the same manner as provided in section 101A(b) relating to loan deficiency payments.

A producer would be eligible to receive a payment under subsection (g) if the producer (1) agrees to forgo obtaining a loan or purchase agreement under section 101A(a), (2) agrees to forgo receiving payments under section 101A(c), (3) does not plant rice for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production under section 101A(f), and (4) otherwise complies with this section.

Section 101A(h) requires the Secretary to provide for the sharing of payments made among the producers on a farm on a fair and equitable basis.

Section 101A(i) requires the Secretary to provide adequate safeguards to protect the interests of tenants and sharecroppers.

Section 101A(j) authorizes the Secretary to make available to producers who have failed to comply with program requirements loans, purchases, and payments in such amounts as the Secretary determines are equitable. The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet such other requirements does not affect adversely the operation of the program.

Section 101A(k) requires the Secretary to issue regulations to carry out this section.

Section 101A(l) requires the Secretary to carry out the rice program through the Commodity Credit Corporation.

Section 101A(m) provides that the provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act (relating to assignment of payments) are to apply to payments under this section.

TITLE VIII—PEANUTS

National poundage quota and farm poundage quota

Section 801 amends sections 358(k) through (p) of the Agricultural Adjustment of 1938, effective only for the 1986 through 1989 crops of peanuts.

Section 358(k)(1) requires the Secretary of Agriculture to establish the national poundage quota for peanuts for each of the marketing years 1986 through 1989 at a level that will meet domestic edible, seed, and related needs for peanuts, taking into consideration any estimated carryover of industry stocks and producer undermarketings.

Section 358(k)(2) provides that the level of the national poundage quota for any marketing year may not be less than 1,100,000 tons, increased by a quantity that the Secretary estimates the domestic edible, seed, and related uses of peanuts in such year will exceed such quantity.

Section 358(k)(3) requires the national poundage quota to be announced by the Secretary not later than December 15 of the year preceding the marketing year for which the poundage quota will be effective.

Section 358(l) requires the national poundage quota established under section 358(k) to be apportioned among the States so that the poundage quota allocated to each State is equal to the percentage of the national poundage quota allocated to farms in the State for 1985.

Section 358(m)(1) requires a farm poundage quota to be established for each farm that had a farm poundage quota for the 1985 crop of peanuts and each other farm on which peanuts were produced in at least 2 of the 1983 through 1985 crop years, as determined by the Secretary. The farm poundage quota for any such farm for the 1986 through 1989 marketing year would be the same as the farm poundage quota for such farm for the immediately preceding marketing year, as adjusted. However, the farm poundage quota would not include any increases for undermarketings from previous years, or any increases resulting from the allocation of quotas voluntarily released for 1 year. If the farm poundage quota, or any part thereof, is permanently tranferred, the receiving farm would be considered as possessing the farm poundage quota (or portion thereof) of the transferring farm for all subsequent marketing years. A farm poundage quota established for a farm under sections 358(m)(2) or (6) would be considered as being established under this provision for all subsequent marketing years unless reduced, permanently released, or tranferred.

Section 358(m)(2) provides that any increase in a poundage quota apportionment of a State from the 1985 to 1986 marketing year must be allocated equally to all farms that are eligible for a farm poundage quota for the 1986 marketing year. If the national poundage quota is increased for any of the 1987 through 1989 marketing years, such increased in the poundage quota apportionment of a State would be allocated equally among all farms for which a poundage quota was established for the marketing year immediately preceding the marketing year for which the allocation is being made and all other farms for which peanuts were produced during at least 2 of the 3 immediately preceding crop years, as determined by the Secretary.

Section 358(m)(3) provides that the farm poundage quota established for a farm for any of the 1986 through 1989 marketing years would be reduced, insofar as practicable and on such fair and equitable basis as the Secretary may by regulation prescribe, to the extent that the Secretary determines that the farm poundage quota established for the farm for any 2 of the 3 marketing years immediately preceding the year for which the determination is being made was not produced, or considered produced, on the farm. The farm poundage quota for any such preceding marketing year would not include any increases for undermarketing of quota peanuts from previous years or any increases resulting from the allocation of quotas voluntarily released for 1 year.

Section 358(m)(4) provides that the farm poundage quota for a crop would be considered produced on a farm if the poundage quota of peanuts for such crop was not produced on the farm as a result of drought (which would include the lack of adequate soil moisture), flood, or other natural disaster, or other condition beyond the control of the producer, as determined by the Secretary. The farm poundage quota would also be considered produced on a farm if the farm poundage quota for such crop on the farm was released voluntarily if such quota was not released in any 2 of the 3 marketing years immediately preceding the year for which the determination of such quota is made.

Section 358(m)(5) provides that the farm poundage quota established for a farm, or any part thereof, may be permanently released by the owner of the farm, or the operator with the permission of the owner. The poundage quota for the farm would be adjusted to the extent that the quota is released.

Section 358(m)(6) provides that the total quantity of farm poundage quota reduced or released from farms in a State during any year must be allocated, under regulations issued by the Secretary, to other farms in the State on which peanuts were produced in at least 2 of the 3 crop years immediately preceding the year in which such allocation is being made. Not less than 25 percent of such poundage quota must be assigned to farms for which no quota was established for the preceding year's crop.

Section 358(m)(7) provides that the farm poundage quota established for a farm for a marketing year, or any portion thereof, may be voluntarily released to the Secretary to the extent that such quota will not be produced on the farm during the crop year. Any farm poundage quota voluntarily released from farms in a State must be allocated to other farms in the State on such basis as prescribed by the Secretary. Any adjustment in the poundage quota for a farm would be effective only for the marketing year for which it is made and would not be taken into consideration in establishing a poundage quota for the farm for any subsequent marketing year.

Section 358(m)(8) provides that the farm poundage quota for a farm for any marketing year must be increased by the number of pounds by which the total marketings of quota peanuts from the farm during previous marketing years (excluding any marketing year before the marketing year for the 1984 crop) were less than the total quantity of the applicable farm poundage quotas (disregarding adjustments for undermarketings from prior marketing years) for such marketing years. No increase for undermarketings in previous years would be made to the poundage quota for any farm to the extent that the quota for such farm for the marketing year was reduced for failure to produce. Increases in farm poundage quotas under this provision would not be counted against the national poundage quota for the marketing year involved. Any farm poundage quota increase may be used in the marketing year by the transfer of additional peanuts produced on the farm to the quota loan pool for pricing purposes on such basis as prescribed by the Secretary by regulation.

Section 358(m)(9) provides that if the total of all increases in individual farm poundage quotas under section 358(m)(8) exceeds 10 percent of the national poundage quota for the marketing year in which such increases are applicable, the Secretary must adjust such increases so that the total of all such increases does not exceed 10 percent of the national poundage quota.

Section 358(n)(1) requires a farm yield of peanuts to be determined for each farm for which a farm poundage quota was established and when necessary for purposes of the Act.

Section 358(n)(2) provides that the yield would be equal to the average of the actual yield per acre on the farm for each of the 3 crop years in which yields were highest on the farm out of the 5 crop years 1973 through 1977.

Section 358(n)(3) provides that if peanuts were not produced on the farm in at least 3 years during such 5-year period or there was a substantial change in the operation of the farm during such period (including, but not limited to, a change in operator, lessee who is an operator, or irrigation practices), the Secretary must have a yield appraised for the farm.

Section 358(n)(4) requires the appraised yield to be that quantity determined to be fair and reasonable on the basis of yields established for similar farms that are located in the area of the farm and on which peanuts were produced, taking into consideration land, labor, and equipment available for the production of peanuts, crop rotation practices, soil and water, and other relevant factors.

Section 358(o)(1) requires the Secretary, not later than December 15 of each calendar year, to conduct a referendum of producers engaged in the production of quota peanuts in the calendar year in which the referendum is held to determine whether such producers are in favor of or opposed to poundage quotas with respect to the crops of peanuts produced in the 4 calendar years immediately following the year in which the referendum is held. If two-thirds or more of the producers voting in any referendum vote in favor of poundage quotas, no referendum would be held with respect to quotas for the second, third, and fourth years of the period.

Section 358(o)(2) requires the Secretary to proclaim the result of the referendum within 30 days after the date on which it is held.

Section 358(o)(3) provides that if more than one-third of the producers voting in the referendum vote against quotas, the Secretary also must proclaim that poundage quotas will not be in effect with respect to the crop of peanuts produced in the calendar year immediately following the calendar year in which the referendum is held.

Section 358(p) defines several terms for purposes of the Agricultural Adjustment Act of 1938 and title I of the Agricultural Act of 1949.

Section 358(p)(1) defines the term "additional peanuts" to mean for any marketing year (A) any peanuts that are marketed from a farm for which a farm poundage quotas has been established and that are in excess of the marketings of quotas peanuts from such farm for such years, and (B) all peanuts marketed from a farm for which no farm poundage quota has been established.

Section 358(p)(2) defines the term "crushing" to mean (A) the processing of peanuts to extract oil for food uses and meal for feed uses, or (B) the processing of peanuts by crushing or otherwise when authorized by the Secretary.

Section 358(p)(3) defines the term "domestic edible use" to mean use for milling to produce domestic food peanuts (other than those defined in section 358(p)(2)) and seed and use on a farm. The Secretary may exempt from this definition seeds of peanuts that are used to produce peanuts excluded under section 359(c) of the Agricultural Adjustment Act of 1938, are unique strains, and are not commercially available.

Section 358(p)(4) defines the term "quota peanuts" to mean, for any marketing year, any peanuts produced on a farm having a farm poundage quota, as determined in section 358(m), (A) that are eligible for domestic edible use as determined by the Secretary, (B) that are marketed or considered marketed from a farm, and (C) that do not exceed the farm poundage quota of such farm for such year.

Sale, lease, or transfer of farm poundage quota

Section 802 amends section 358a(i) and 358a(j) of the Agricultural Adjustment Act of 1938, effective only for the 1986 through 1989 crops of peanuts.

Section 358a(i)(1) authorizes the owner, or the operator with permission of the owner, of any farm for which a farm poundage quota has been established, subject to such terms, conditions, or limitations as the Secretary of Agricultural may prescribe, to sell, or lease all or any part of such poundage quota to any other owner or operator of a farm within the same county for transfer to such farm. A lease of a poundage quota may be entered into after the normal planting season only if the quota had been planted on the farm from which the quota is to be leased, and under such terms and conditions as the Secretary may prescribe by regulation.

Section 358a(i)(2) provides that the owner or operator of a farm may transfer all or any part of the farm poundage quota of such farm to any other farm owned or controlled by such owner or operator that is in the same county or in a county contiguous to such county in the same State and that had a farm poundage quota for the preceding year's crop.

Section 358a(i)(3) provides that in the case of any State for which the poundage quota allocated to the State was less than 10,000 tons for the preceding year's crop, all or any part of a farm poundage quota may be transferred by sale or lease or otherwise from a farm in one county to a farm in another county in the same State.

Section 358a(j) provides that transfers (including transfer by sale or lease) of farm poundage quotas are subject to the following conditions: (1) no transfer of the farm poundage quota from a farm subject to a mortgage or other lien may be permitted unless the transfer is agreed to by the lienholders; (2) no transfer of the farm poundage quota may be permitted if the county committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act determines that the receiving farm does not have adequate tillable cropland to produce the farm poundage quota; (3) no transfer of the farm poundage quota may be effective until a record is filed with the county committee of the county to which such transfer is made and such committee determines that the transfer complies with this section; and (4) such other terms and conditions that the Secretary may prescribe by regulations.

Marketing penalties; disposition of additional peanuts

Section 803 amends sections 359(f) through 359(1) of the Agricultural Adjustment Act of 1938, effective only for the 1986 through 1989 crops of peanuts.

Section 359(f)(1) provides that the marketing of any peanuts for domestic edible use in excess of the farm poundage quota for the farm on which such peanuts are produced is subject to a penalty of 140 percent of the support price for quota peanuts for the marketing year in which the marketing occurs. For purposes of this section, the marketing year for peanuts would be the 12-month period beginning on August 1 and ending on July 31. The marketing of any additional peanuts from a farm would be subject to the same penalty unless such peanuts, in accordance with regulations established by the Secretary, are either (A) placed under loan at the additional loan rate in effect for such peanuts and not redeemed by the producers; (B) marketed through an area marketing association, or (C) marketed under contracts between handlers and producers. The penalty is to be paid by the person who buys or otherwise acquires the peanuts from the producer or, if the peanuts are marketed by the producer through an agent, by such agent. Any person or agent required to pay a penalty may deduct an amount equivalent to the penalty from the price paid to the producer. If the person required to collect the penalty fails to collect such penalty, such person and all persons entitled to share in the peanuts marketed from the farm or the proceeds thereof would be jointly and severally liable for the amount of the penalty. Peanuts produced in a calendar year in which farm poundage quotas are in effect for the marketing year beginning in such year would be subject to such quotas even though the peanuts are marketed prior to the date on which such marketing year begins. If any producer falsely identifies or fails to certify planted acres or fails to account for the disposition of any peanuts produced on such plant acres, a quantity of peanuts equal to the average yield of the farm times the planted acres would be deemed to have been marketed in violation of permissible uses of quota and additional peanuts, and the penalty would be required to be paid and remitted by the producer.

Section 359(f)(2) requires the Secretary to authorize, under regulations prescribed by the Secretary, the county committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act to waive or reduce marketing penalties in cases in which such committees determine that the violations were unintentional or without knowledge on the part of the parties concerned. Errors in weight that do not exceed one-tenth of 1 percent in the case of any one marketing document would not be considered marketing violations except in cases of fraud or conspiracy.

Section 359(g)(1) provides that only quota peanuts may be retained for use as seed or for other uses on a farm.

Section 359(g)(2) provides that peanuts retained under section 359(g)(1) would be considered as marketings of quota peanuts. However, the Secretary may exempt from consideration as marketings of quota peanuts seeds of peanuts that are used to produce peanuts excluded under section 359(c) of the Agricultural Adjustment Act of 1938, are unique strains, and are not commercially available.

Section 359(g)(3) provides that additional peanuts may not be retained for use on a farm and may not be marketed for domestic edible use, except as provided in section 359(k) of the Agricultural Adjustment Act of 1938.

Section 359(g)(4) provides that seed for planting of any peanut acreage in the United States must be obtained solely from quota peanuts marketed or considered marketed for domestic edible use.

Section 359(h) provides that, on a finding by the Secretary that the peanuts marketed from any crop for domestic edible use by a handler are larger in quantity or higher in grade or quality than the peanuts that could reasonably be produced from the quantity of peanuts having the grade, kernel content, and quality of the quota peanuts acquired by such handler from such crop for such marketing, such handler is subject to a penalty equal to 140 percent (currently 120 percent) of the loan level for quota peanuts on the quantity of peanuts that the Secretary determines are in excess of the quantity, grade, or quality of the peanuts that could reasonably have been produced from the peanuts so acquired.

Section 359(i)(1) requires the Secretary to require that the handling and disposal of additional peanuts be supervised by agents of the Secretary or by area marketing associations.

Section 359(i)(2) provides that supervision of the handling and disposal of additional peanuts contracted by a handler may not be required if the handling and disposal of the peanuts is conducted in the manner prescribed in regulations issued by the Secretary. Such regulations must permit a handler of milled peanuts to export peanuts classified by type without physical supervision in specified quantities. Such regulations must permit a handler of milled peanuts of a crop to export (A) sound split kernel peanuts, in a quantity equal to twice the pounds of such peanuts purchased by the handler as additonal peanuts; (B) sound mature kernel peanuts, in a quantity equal to the pounds of such peanuts purchased by the handler as additional peanuts less than quantity of sound split kernels purchased by the handler; and (C) the remaining quantity of total kernel content of such peanuts purchased by the handler as additional peanuts and not crushed domestically. Any additional peanuts exported without physical supervision must be evidenced by onboard bills of ladings or other appropriate documentation required by the Secretary, or both. The obligation of a handler to export peanuts in the quantities specified above would be reduced by a reasonable shrinkage allowance determined by the Secretary. The Secretary must also require adequate financial guarantees, as well as evidence of adequate facilities and assets, in order to assure compliance with the obligation of the handler to export peanuts. If a handler suffers a loss of peanuts as a result of fire, flood, or other condition beyond the control of the handler, the portion of such loss allocated to contracted additional peanuts may not be greater than the portion of the total purchases of the handler for the year attributable to contracted additional peanuts purchased for export by the handler during such year.

Section 359(i)(3) provides that quota and additional peanuts of like type and segregation or quality may, under regulations prescribed by the Secretary, be commingled and exchanged on a dollar value basis to facilitate warehousing, handling, and marketing.

Section 359(i)(4) provides that the failure by a handler to comply with regulations issued by the Secretary governing the disposition and handling of additional peanuts would subject the handler to a penalty of 140 percent (currently 120 percent) of the loan level for quota peanuts on the quantity of peanuts involved in the violation. The amount of any penalty imposed on a handler that resulted from the failure to export contracted additional peanuts could not be reduced by the Secretary. However, a handler would not be subject to a penalty for failure to export additional peanuts if such peanuts were not delivered to the handler.

Section 359(i)(5) provides that if any additional peanuts exported by a handler should reenter the United States in commercial quantities as determined by the Secretary, the importer would be subject to a penalty of 140 percent of the loan level for quota peanuts on the quantity of peanuts involved in the reentry.

Section 359(j)(1) authorizes handlers, under regulations prescribed by the Secretary, to contract with producers for the purchase of additional peanuts for crushing, export, or both.

Section 359(j)(2) provides that all such contracts must be completed and submitted to the Secretary (or, if designated by the Secretary, the area marketing association) for approval prior to August 1 of the year in which the crop is produced.

Section 359(j)(3) requires each contract to contain the final price to be paid by the handler for the peanuts involved and a specific prohibition against the disposition of such peanuts for domestic edible or seed use.

Section 359(k)(1) authorizes the Commodity Credit Corporation, subject to section 407 of the Agricultural Act of 1949, to make available for domestic edible use in accordance with regulations established by the Secretary, any peanuts owned or controlled by the Commodity Credit Corporation.

Section 359(k)(2) requires that additional peanuts received under loan be offered for sale for domestic edible use at prices not less than those required to cover all costs incurred with respect to the peanuts for such items as inspection, warehousing, shrinkage, and other expenses, plus (A) not less than 100 percent of the loan value of quota peanuts, if the additional peanuts are sold and paid for during the harvest season on delivery by and with the written consent of the producer; (B) not less than 105 percent of the loan value of quota peanuts, if the additional peanuts are sold after delivery by the producer by not later than December 31 of the marketing year; or (C) not less than 107 percent of the loan value of quota peanuts if the additional peanuts are sold later than December 31 of the marketing year.

Section 359(k)(3) provides that for the period from the date additional peanuts are delivered for loan to March 1 of the calendar year following the year in which such additional peanuts were harvested, the area marketing association designated under section 108B(c)(1) of the Agricultural Act of 1949 would have sole authority to accept or reject lot list bids when the sales price equals or exceeds the minimum price at which the Commodity Credit Corporation may sell its stocks of additional peanuts. However, the area marketing association and the Commodity Credit Corporation may agree to modify this authority to facilitate the orderly marketing of additional peanuts.

Section 359(l)(1) provides that the person liable for payment or collection of any penalty is liable also for interest at a rate per annum equal to the rate of interst that was charged the Commodity Credit Corporation by the Treasury of the United States on the date such penalty became due.

Section 359(l)(2) provides that this section does not apply to peanuts produced on any farm o which the acreage harvested for nuts is one acre or less if the producers who share in the peanuts produced on such farm do not share in the peanuts produced on any other farm.

Section 359(l)(3) provides that until the amount of the penalty is paid, a lien on the crop of peanuts with respect to which such penalty is incurred, and on any subsequent crop of peanuts subject to farm poundage quotas in which the person liable for payment of the penalty has an interest, would be in effect in favor of the United States.

Section 359(1)(4) provides that the liability for and the amount of any penalty assessed under section 359 are to be determined in accordance with procedures prescribed by the Secretary by regulation. The facts constituting the basis for determining the liability for or amount of any penalty assessed under this section, when officially determined in conformity with the applicable regulations prescribed by the Secretary, are final and conclusive and not reviewable by any other officer or agency of the Federal Government. Nothing in section 359 is to be construed as prohibiting any court of competent jurisdiction from reviewing any determination made by the Secretary with respect to whether such determination was made in conformity with the applicable law and regulations. All penalties imposed under this section would be considered civil penalties.

Section 359(1)(5) authorizes the Secretary to reduce the amount of any penalty assessed against handlers under this section if the Secretary finds that (A) the violation on which the penalty is based was minor or inadvertent, and (B) the reduction of the penalty would not impair the operation of the peanut program.

Price support program

Section 804 amends the Agricultural Act of 1949, effective only for the 1986 through 1989 crops of peanuts, by adding a new section 108B.

Section 108B(a)(1) requires the Secretary of Agriculture to make price support available to producers through loans, purchases, or other operations on quota peanuts for each of the 1986 through 1989 crops.

Section 108B(a)(2) requires the national average quota support rate for the 1986 crop of quota peanuts to be the same as the national average support rate established for the 1985 crop of quota peanuts, adjusted by the Secretary to reflect the percentage increase in the prices paid by producers for commodities and services, interest, taxes, and farm wage rates during the 1981 through 1985 calendar years, as determined by the Secretary.

Section 108B(a)(3) requires the national average quota support rate for each of the 1987 through 1989 crops of quota peanuts to be the national average quota support rate for the preceding crop, adjusted to reflect any change, during the calendar year immediately preceding the marketing year for the crop for which a level of support is being determined, in the national average cost of production, excluding any change in the cost of land. However, in no event may the national average quota support rate for any such crop (A) exceed by more than 6 percent the national average quota support rate for the preceding crop, or (B) be less than the national average quota support rate for the 1985 crop of quota peanuts.

Section 108B(a)(4) provides that the levels of support announced may not be reduced by any deductions for inspection, handling, or storage, except that the Secretary may make adjustments for location of peanuts and such other factors as are authorized by section 403 of the Agricultural Act of 1949.

Section 108B(a)(5) requires the Secretary to announce the level of support for quota peanuts of each crop not later than February 15 preceding the marketing year for the crop for which the level of support is being determined.

Section 108B(b)(1) requires the Secretary to make price support available to producers through loans, purchases, or other operations on additional peanuts for each of the 1986 through 1989 crops at such levels as the Secretary finds appropriate. In setting such levels the Secretary is to take into consideration the demand for peanut oil and peanut meal, expected prices of other vegetable oils and protein meals, and the demand for peanuts in foreign markets. The Secretary must set the support rate on additional peanuts at a level to ensure that there are no losses to the Commodity Credit Corporation on the sale or disposal of such peanuts.

Section 108B(b)(2) requires the Secretary to announce the level of support for additional peanuts of each crop not later than February 15 preceding the marketing year for the crop for which the level of support is being determined.

Section 108B(c)(1) requires the Secretary in carrying out section 108(B)(a) and (b) to make warehouse storage loans available in each of the three producing areas (described in section 1446.60 of title 7, Code of Federal Regulations) to a designated area marketing association of peanut producers that is selected and approved by the Secretary and that is operated primarily for the purpose of conducting such loan activities. The Secretary may not make warehouse storage loans available to any cooperative that is engaged in operations or activities concerning peanuts other than those operations and activities specified in this section and section 359 of the Agricultural Adjustment Act of 1938. Area marketing associations must be used in administrative and supervisory activities relating to price support and marketing activities under this section and section 359 of the Agricultural Adjustment Act of 1938. Warehouse storage loans must include, in addition to the price support value of the peanuts, such costs as the area marketing association reasonably may incur in carrying out its responsibilities, operations, and activities under this section and section 359 of the Agricultural Adjustment Act of 1938.

Section 108(B)(c)(2) requires the Secretary to require that each area marketing association establish pools and maintain complete and accurate records by area and segregation for quota peanuts handled under loan, additional peanuts placed under loan, and additional peanuts produced without a contract between a handler and a producer. Separate pools must be established for bright hull and dark hull Valencia peanuts produced in New Mexico. Net gains on peanuts in each pool, unless otherwise approved by the Secretary, would be distributed only to producers who placed peanuts in the pool and in proportion to the value of the peanuts placed in the pool by each producer. Net gains for quota peanuts in each pool would consist of the net gains over and above the loan indebtedness and other costs or losses incurred on peanuts placed in such pool, plus a quantity from the pool for additional peanuts to the extent of the net gains from the sale for domestic food and related uses of additional peanuts in the pool for additional peanuts equal to any loss on disposition of all peanuts in the pool for quota peanuts. Net gains for additional peanuts in each pool would consist of the net gains over and above the loan indebtedness and other costs or losses incurred on peanuts placed in the pool for additional peanuts less any quantity allocated to offset any loss on the pool for quota peanuts. Any distribution of net gains on additional peanuts must first be reduced to the extent of any loss by the Commodity Credit Corporation on quota peanuts placed under loan. The proceeds due any producer fom any pool must be reduced by the amount of any loss that is incurred with respect to peanuts transferred from an additional loan pool to a quota loan pool under section 358(m)(8) of the Agricultural Adjustment Act of 1938. Also, losses in area quota pools, other than losses incurred as a result of transfers from additional loan pools to quota loan pools under section 358(m)(8) of the Agricultural Adjustment Act of 1938 must be offset by gains or profits from pools in other production areas as determined by the Secretary.

Section 108B(d) provides that no price support may be made available by the Secretary for any crop of peanuts with respect to which poundage quotas have been disapproved by producers.

Reports and records

Section 805 amends the first sentence of section 373(a) of the Agricultural Adjustment Act of 1938, effective only for the 1986 through 1989 crops of peanuts, to require all farmers engaged in the production of peanuts and all brokers and dealers in peanuts to keep certain records which will be subject to examination by the Department of Agriculture.

Suspension of marketing quotas and acreage allotments

Section 806 provides that subsections (a) through (j) of section 358 (marketing quotas); subsections (a) through (h) of section 358a (sale, lease and transfer of peanut acreage allotments); subsections (a), (b), (d), and (e) of section 359 (marketing penalties); Part I of subtitle C of title III (administrative provisions); and section 371 (general adjustment of quotas) of the Agricultural Adjustment Act of 1938 are not applicable to the 1986 through 1989 crops of peanuts.

Suspension of certain price support provisions

Section 807 provides that section 101 of the Agricultural Act of 1949 (relating to peanut price support) is not applicable to the 1986 through 1989 crops of peanuts.

TITLE IX—SOYBEANS

Soybean price support

Section 901 amends section 201 of the Agricultural Act of 1949, effective only with respect to the 1986 through 1989 crops of soybeans, by adding a new subsection (i) relating to soybean price support. The new subsection essentially extends the current soybean price support provisions through the 1989 crop.

New subsection (i)(1) requires the Secretary of Agriculture to support the price of soybeans through loans and purchases during each of the 4 marketing years beginning with the 1986 marketing year. The level of support must be equal to 75 percent of the average price received by producers for soybeans for each of the preceding 5 marketing years, excluding the high and low valued years. In no event, however, may the Secretary establish a support price of less than $5.02 per bushel.

Subsection (i)(2) provides that, if the Secretary determines that the average price of soybeans received by producers in any marketing year is not more than 105 percent of the level of loans and purchases for soybeans for the marketing year, the Secretary is authorized to reduce the level of loans and purchases for soybeans for the next marketing year by the amount the Secretary determines necessary to maintain domestic and export markets for soybeans. The level of loans and purchases, however, may not be reduced by more than 10 percent in any year nor below $4.50 per bushel.

Subsection (i)(3) provides that the soybean marketing year, for purposes of this subsection, is to be the 12-month period beginning on September 1 and ending on August 31.

Subsection (i)(4) requires the Secretary to make a preliminary announcement of the support level not earlier than 30 days before the marketing year begins. The preliminary support level must be based on the latest available information and statistics. The Secretary is further required to make a final announcement of the support level as soon as full information and statistics are available on prices for the 5 years preceding the beginning of the marketing year. In no event, however, may the final support level be announced later than October 1 of the marketing year for which the announcement applies nor may the final support level be less than the preliminary support level previously announced.

Subsection (i)(5) provides that, notwithstanding any other provision of law, the Secretary may not require as a condition of eligibility for price support for soybeans that producers participate in any production adjustment control program for soybeans or any other commodity.

The bill also provides that soybeans are not to be considered an eligible commodity for any reserve program, and that the Secretary may not authorize payments to producers to cover the cost of storing soybeans.

TITLE X—SUGAR

Sugar price support

Section 1001 amends section 201 of the Agricultural Act of 1949, effective only with respect to the 1986 through 1989 crops of sugarcane and sugar beets, by adding a new subsection (j) relating for price support for sugarcane and sugar beets.

Subsections (j)(1) and (2) require the Secretary of Agriculture to support the price of domestically grown sugarcane through nonrecourse loans at such level as the Secretary determines appropriate but not less than 18 cents per pound for raw cane sugar. This level may be increased under subsection (j)(4).

Subsection (j)(3) requires the Secretary to support the price of domestically grown sugar beets through nonrecourse loans at such level as the Secretary determines to be fair and reasonable in relation to the level of loans for sugarcane.

Subsection (j)(4) authorizes the Secretary to increase the support price for each of the 1986 through 1989 crops of domestically grown sugarcane and sugar beets from the price determined for the preceding crop based on such factors as the Secretary determines appropriate, including changes (during the 2 immediately preceding crop years) in the cost of sugar products, the cost of domestic sugar production, and other circumstances that may adversely affect domestic sugar production. If the Secretary determined not to increase the support price, the Secretary would be required to submit a report, containing the findings, decision, and supporting data for the determination to the Senate and House Agriculture Committees.

Subsection (j)(5) requires the Secretary to announce the loan rate to be applicable during any fiscal year as far in advance of the beginning of that fiscal year as practicable.

Subsection (j)(6) requires that loans be made available during any fiscal year not earlier than the beginning of the fiscal year and the loans must mature before the end of the fiscal year.

TITLE XI—HONEY

Honey price support

Section 1101 amends section 201(b) of the Agricultural Act of 1949, effective only with respect to the 1986 through 1989 crops of honey, to require the Secretary of Agriculture to make available to producers loans and purchases for each of the 1986 through 1989 crops of honey. The level of support for the 1986 crop may not be less than 65.3 cents per pound, and for each of the 1987 through 1989 crops, the level of support may not be less than the higher of (1) 85 percent of the simple average price received by producers during the immediately preceding 5 marketing years, excluding the high and low years, or (2) 50 cents per pound. However, the level of loans and purchases for a crop may not be reduced by more than 5 percent from the level determined for the preceding crop. The average price received by farmers for the immediately preceding year would be based on the latest information available to the Secretary at the time of the determination.

Under the bill, the Secretary is required to permit a producer to repay a loan for a crop at a level that is the lesser of (1) the loan rate established for the crop, or (2) such loan rate as the Secretary determines will minimize loan forfeitures, not result in excessive total stocks of honey, reduce storage costs to the Federal Government, and maintain the competitiveness of honey in domestic and export markets.

The Secretary is authorized, for each of the 1986 through 1989 crops of honey, to make payments available to producers who agree to forgo obtaining a loan in return for the payments. The payment would be computed by multiplying the loan payment rate by the amount of honey the producer is otherwise eligible to place under loan. The loan payment rate would be the amount by which the loan rate established for the crop exceeds the level at which a loan may be repaid.

The bill also provides that if the Secretary determines that a person has knowingly pledged adulterated or imported honey as collateral to secure a honey price support loan, such person, in addition to any other penalties or sanctions prescribed by law, would be ineligible for honey loans, purchases or payments for the 3 crop years succeeding such determination. Honey would be considered adulterated if (1) any substance had been substituted wholly or in part for the honey, (2) the honey contained a poisonous or deleterious substance which could render the honey injurious to health except that in any case in which the substance had not been added to the honey, the honey would not be considered adulterated if the quantity of the substance in or on the honey did not ordinarily render it injurious to health, (3) the honey was for any other reason unsound, unhealthy, unwholesome, or otherwise unfit for human consumption.

TITLE XII—FOOD ASSISTANCE RESERVE

Definitions

Section 1201 defines, for purposes of this title, the term "reserve" to mean a food assistance reserve established under section 1202(a), and the term "Secretary" to mean the Secretary of Agriculture.

Establishment of reserve

Section 1202(a) requires the Secretary, subject to section 1202(b), to establish a food assistance reserve containing up to 500 million bushels of wheat and feed grains.

Section 1202(b) requires the Secretary to include in the reserve not less than 200 million bushels of wheat, to be used in accordance with section 1203(b), and not less than 100 million bushels of wheat, to be used in accordance with section 1203(c).

Use of stocks

Section 1203(a) authorizes, except as provided in sections 1203(b) and 1203(c), stocks of the reserve to be made available by the Secretary to meet urgent humanitarian needs.

Section 1203(b)(1) authorizes stocks of wheat included in the reserve under section 1202(b)(1) to be released by the Secretary only to provide, on a donation or sale basis, emergency food assistance to developing countries, if the domestic supply of wheat is so limited that quantities of wheat cannot be made available for disposition under the Agricultural Trade Development and Assistance Act of 1954 except for urgent humanitarian purposes, under the criteria established under section 401(a) of that Act. This is the same criteria for release of wheat under the Food Security Wheat Reserve Act of 1980.

Section 1203(b)(2) provides that up to 300,000 metric tons of wheat included in the reserve under section 1202(b)(1) may be released from the reserve in any fiscal year, without regard to the domestic supply situation, for use under title II of the Agricultural Trade Development and Assistance Act of 1954 in providing urgent humanitarian relief in any developing country suffering a major disaster, as determined by the President, if the wheat needed for relief cannot be programmed for such purpose in a timely manner under the normal means of obtaining commodities for food assistance due to circumstances of unanticipated and exceptional need. This is also the same criteria for release of wheat under the Food Security Wheat Reserve Act of 1980.

Section 1203(c) authorizes stocks of wheat included in the reserve under section 1202(b)(2) to be released by the Secretary only for carrying out section 416 (b) or (c) of the Agricultural Act of 1949.

Section 1203(d) authorizes the Secretary, in connection with the use of stocks in the reserve, to pay the cost of processing, reprocessing, packaging, transporting, handling, and other charges, including the cost of overseas delivery.

Management of stocks

Section 1204(a) authorizes the Secretary, in order to establish the reserve or replenish the stocks of the reserve, (1) to acquire wheat or feed grains for the reserve through purchases from producers or in the market, if the Secretary determines that such purchases would not unduly disrupt the market, and (2) to designate stocks of wheat and feed grains otherwise acquired by the Commodity Credit Corporation as stocks of the reserve.

Section 1204(b) authorizes the Secretary to provide for the periodic rotation of stocks of the reserve to avoid spoilage and deterioration of such stocks.

Administration

Section 1205(a) authorizes the Secretary to issue rules and regulations as the Secretary determines necessary to carry out this title.

Section 1205(b)(1) requires the funds, facilities, and authorities of the Commodity Credit Corporation be used by the Secretary in carrying out this title.

Section 1205(b)(2) requires requires that the Commodity Credit Corporation be reimbursed from funds made available for carrying out the Agricultural Trade Development and Assistance Act of 1954 for wheat released from the reserve that is made available under that Act. Such reimbursement must be made on the basis of the lower of the actual costs incurred by the Commodity Credit Corporation with respect to such wheat or the export market price of wheat (as determined by the Secretary) as of the time the wheat is released from the reserve for such purpose. Reimbursement must include the actual costs incurred by the Commodity Credit Corporation with respect to processing, reprocessing, packaging, transporting, handling, and other charges, including overseas delivery. Such reimbursement may be made from funds appropriated for such purpose in subsequent years.

Section 1205(c) provides that any determination made by the Secretary under this title be final and conclusive.

Repeal of certain reserve provisions and conforming amendments

Section 1206(a)(1) repeals, except as provided in section 1206(a)(2), section 110 of the Agricultural Act of 1949.

Section 1206(a)(2) provides that section 110 of the Agricultural Act of 1949, other than section 110(f), will be effective through the 1985 crops of wheat and feed grains, except that the Secretary may not authorize the extension of an outstanding price support loan under section 110(b).

Section 1206(a)(3) amends the definition of "producer storage program", as set forth in section 209(a)(4) of the Agricultural Act of 1980, for purposes of the alcohol processor grain reserve program to mean the producer storage program as it existed before the amendment made by section 1206(a)(1) of the bill.

Section 1206(b) repeals section 813 of the Agricultural Act of 1970. Section 813 of that Act authorizes the Secretary to establish a disaster reserve of wheat, feed grains, and soybeans, to be primarily acquired through the price support program and to be used for domestic disaster assistance.

Section 1206(c)(1) repeals the Food Security Wheat Reserve Act of 1980. The Food Security Wheat Reserve Act of 1980 requires the President to establish a reserve of up to 4 million tons of wheat to be used for emergency food assistance in developing countries. Authority to replenish the reserve expires September 30, 1985.

Section 1206(c)(2) amends section 202(b) of the Temporary Emergency Food Assistance Act of 1983 to strike out references to sections 302(b)(1) and 302(b) of the Food Security Wheat Reserve Act of 1980 since that Act is repealed by section 1206(c)(1), and to make reference instead to section 1202(b)(1) and 1204(a), respectively, of the bill which establishes a food assistance reserve and provides for its replenishment. Section 1206(c)(2) also deletes reference to the food security wheat reserve, as contained in section 202(b) of the Temporary Emergency Food Assistance Act of 1983, and make reference instead to the food assistance reserve.

Section 1206(d) repeals section 208 of the Agricultural Act of 1980. Section 208 of that Act authorizes the Secretary to establish a gasohol feedstock reserve or a food security reserve whenever the export of agricultural commodities are restricted.

TITLE XIII—MISCELLANEOUS COMMODITY PROVISIONS

Payment limitations

Section 1301(1) provides that, notwithstanding any other provision of law, for each of the 1986 through 1989 crops, the total amount of payments (excluding disaster payments) that a person is entitled to receive under one or more of the annual programs established under the Agricultural Act of 1949 for wheat, feed grains, upland cotton, extra long staple cotton, and rice may not exceed $50,000.

Section 1301(2) provides that for each of the 1986 through 1989 crops the total amount of disaster payments that a person is entitled to receive under one or more of the annual programs established under the Agricultural Act of 1949 for wheat, feed grains, upland cotton, and rice may not exceed $100,000.

Section 1301(3) provides that the term "payments", as used in section 1301, does not include (A) loans or purchases; (B) any part of any payment that is determined by the Secretary of Agriculture to represent compensation for resource adjustment (excluding land diversion payments) or public access for recreation; (C) any gain realized by a producer from repaying a loan for a crop of wheat, feed grains, upland cotton, or rice at the rate permitted under section

107D(a)(4), 105C(a)(1)(D), 103A(a)(5), or 101A(a)(3), respectively, of the Agricultural Act of 1949; (D) any deficiency payment received for a crop of wheat or feed grains under section 107D(c)(1) or 105C(c)(1), respectively, of such Act as the result of a reduction of the loan level for such crop under section 107D(a)(3)(B) or 105C(a)(1)(C) of such Act; (E) any loan deficiency payment received for a crop of wheat, feed grains, upland cotton, or rice under section 107D(b), 105C(b), 103A(b), or 101A(b), respectively, of such Act; or (F) any inventory reduction payment received for a crop of wheat, feed grains, upland cotton, or rice under section 107D(g), 105C(g), 103A(j), or 101A(g), respectively, of such Act.

Section 1301(4) provides that if the Secretary determines that the total amount of payments that would be earned by any person under the program in effect for any crop would be reduced under this section, any acreage requirement established under a set-aside or acreage limitation program for the farm or farms on which the person would be sharing in payments earned under such program must be adjusted to such extent and in such manner as the Secretary determines would be fair and reasonable in relations to the amount of the payment reduction.

Section 1301(5) requires the Secretary to issue regulations defining the term "person" and prescribing such rules as the Secretary determines necessary to assure a fair and reasonable application of the limitation established under section 1301. The regulations issued by the Secretary on December 18, 1970, under section 101 of the Agricultural Act of 1970 must be used to establish the percentage ownership of a corporation by the stockholders of such corporation for the purpose of determining whether such corporation and stockholders are separate persons under section 1301.

Normally planted acreage

Section 1302 amends section 1001 of the Food and Agriculture Act of 1977 to extend the provisions of that section through 1989 crops and to expand the application of the provisions of section 1001 to upland cotton, and rice, in addition to wheat and feed grains. Section 1001 of that Act provides that whenever a set-aside is in effect for any of the 1982 through 1985 crops of wheat and feed grains, the Secretary of Agriculture may require, as a condition of eligibility for program benefits, that producers not exceed the acreage normally planted to crops designated by the Secretary.

Section 1302 also amends section 1001 of such Act to add a new subsection (c) authorizing the Secretary of Agriculture to require, whenever marketing quotas are in effect for any of the 1987 through 1989 crops of wheat, as a condition of eligibility for loans, purchases, and payments on any commodity under the Agricultural Act of 1949, that the acreage normally planted to crops designated by the Secretary, adjusted as considered necessary by the Secretary to be fair and equitable among producers, be reduced by a quantity equal to the acreage that the Secretary determines would normally be planted to wheat on a farm minus the individual farm program acreage for the farm under section 107D(d)(3)(A) of such Act.

Determinations of the Secretary

Section 1303(a) amends section 385 of the Agricultural Adjustment Act of 1938 to expand the applicability of the provisions relating to the finality of facts concerning payments and loans to include extra long staple cotton, in addition to wheat, feed grains, upland cotton, and rice.

Section 1303(b) requires the Secretary of Agriculture to determine the rate of loans, payments, and purchases under a program established under the Agricultural Act of 1949 for any of the 1986 through 1989 crops of a commodity without regard to the requirements for notice and public participation in rulemaking prescribed in section 553 of title 5, United States Code, or in any directive of the Secretary.

Multiple commodity plantings

Section 1304 amends section 401 of the Agricultural Act of 1949, effective only for the 1986 through 1989 crops of an agricultural commodity, to authorize the Secretary of Agriculture, notwithstanding any other provisions of law, if a producer on a farm has historically produced crops of two commodities on the same land in the same year and the producer has diverted acreage on the farm from the production of one of such commodities in any year under an acreage reduction program administered by the Secretary, to permit such producer to plant a second crop of the other commodity for harvest in such year on the acreage diverted from production on the farm under such program.

Interest payment certification

Section 1305 amends section 405 of the Agricultural Act of 1949, effective only for the 1986 through 1989 crops of an agricultural commodity, to add a new subsection (b).

New section 405(b) authorizes the Secretary of Agriculture, notwithstanding any other provision of law, to provide a negotiable certificate to any producer who repays, together with interest, a price support loan made available to such producer under any of the annual programs for wheat, feed grains, upland cotton, or rice established under the Agricultural Act of 1949. The amount of such certificate would be equal to the amount of the interest paid by the producer on such loan.

Such certificate would be redeemable in wheat, feed grains, upland cotton, or rice, as the case may be, owned by the Commodity Credit Corporation, except that the issuance of such certificate would be subject to the availability of commodities owned by the Corporation.

Commodity Credit Corporation sales price restrictions

Section 1306(1) amends section 407 of the Agricultural Act of 1949, effective only for the marketing years for the 1986 through 1989 crops, to provide that the Commodity Credit Corporation may not sell any of its stocks of wheat, corn, grain sorghum, barley, oats, and rye, respectively, at less than (A) 115 percent of the current national average loan rate for the commodity, adjusted for such current market differentials reflecting grade, quality, location, and other value factors as the Secretary of Agriculture determines appropriate plus reasonable carrying charges, or (B) if the Secretary permits the repayment of loans made for a crop of the commodity at a rate that is less than the loan level determined for such crop, 115 percent of the average loan repayment rate that is determined for such crop during the period of such loans. The provisions in clause (A) above are currently contained in section 407 of the 1949 Act but are only effective through the 1985 marketing years for such commodities. Clause (B) is added to take care of situations in which the Secretary uses the new marketing loan authority provided under the wheat, feed grains, upland cotton, and rice programs and permits producers to repay loans for these commodities at a rate less than the loan level determined for the crop.

Section 1306(2) amends section 407 of the 1949 Act to authorize the Commodity Credit Corporation to make feed owned or controlled by it available for disaster aid at the current basic county loan (instead of support) rate (or a comparable price if there is no current basic county loan rate). The same provision is currently contained in section 407 of the 1949 Act but is only effective through the 1985 marketing year for crops.

Section 1306(3) amends section 407 of the 1949 Act to provide that sales of Commodity Credit Corporation stocks to improve efficiency and operations must be offset by purchases necessary to prevent such sales from unduly affecting market prices. The same provision is currently contained in section 407 of the 1949 Act but is only effective through the 1985 marketing year for crops.

Application of terms in the Agricultural Act of 1949

Section 1307 amends section 408(k) of the Agricultural Act of 1949, effective only for the 1986 through 1989 crops of wheat, feed grains, upland cotton, and rice, to provide that the reference made in sections 402, 403, 406, 407, and 416 of such Act to the terms "support price", "level of support", and "level of price support" are to be considered to apply as well to the loan and purchase level for wheat, feed grains, upland cotton, and rice under this Act. Also, references made to the terms "price support", "price support operations", and "price support program" in such sections and in section 401(a) are to be considered as applying as well to loan and purchase operations for wheat, feed grains, upland cotton, and rice under this Act.

Advance payments

Section 1308 amends section 107C of the Agricultural Act of 1949, effective only for the 1986 through 1989 crops of wheat, feed grains, upland cotton, and rice.

Section 107C(a)(1) provides that, if the Secretary of Agriculture establishes an acreage limitation or set-aside program for any of the 1986 through 1989 crops of wheat, feed grains, upland cotton, or rice under tghe 1949 Act and determines that deficiency payments would likely be made for such commodity for such crop, the Secretary may make available advance deficiency payments to producers who agree to participate in such program.

Section 107C(a)(2) provides that advance deficiency payments would be made to the producer under the following terms and conditions: (A) such payments would be made available as soon as practicable after the producer files a notice of intention to participate in the program; (B) such payments would be made available in such amounts as the Secretary determiens appropriate to encourage adequate participation in such program, except that such amount could not exceed an amount determined by multiplying the estimated farm program acreage for the crop by the farm program payment yield for the crop by 50 percent of the projected payment rate. If the deficiency payment payable to a producer for a crop, as finally determined by the Secretary is less than the amount paid to the producer as an advance deficiency payment for the crop under section 107C(a), the producer must refund an amount equal to the difference between the amount advanced and the amount finally determined by the Secretary to be payable to the producer as a deficiency payment for the crop concerned. If the Secretary determines that deficiency payments would not be made available to producers on a crop with respect to which advance deficiency payments already have been made, the producers who receive such advance payments must refund the payments. Any refund required would be due at the end of the marketing year for the crop with respect to which such payment were made. If a producer fails to comply with requirements established under the acreage limitation or set-aside program involved after obtaining an advance deficiency payment, the producer must repay immediately the amount of the advance, plus interest thereon in such amount as the Secretary prescribes by regulations.

Section 107C(a)(3) authorizes the Secretary to issue such regulations as the Secretary determines necessary to carry out section 107C.

Section 107C(a)(4) requires the Secretary to carry out the program authorized by section 107C through the Commodity Credit Corporation.

Section 107C(a)(5) provides that the authority provided in section 107C(a) is in addition to, and not in place of, any authority granted to the Secretary or the Commodity Credit Corporation under any other provisions of law.

Section 107C(b) provides that if the Secretary makes land diversion payments under the Agriculture Act of 1949 to assist in adjusting the total national acreage of any of the 1986 through 1989 crop of wheat, feed grains, upland cotton, or rice to desirable levels, the Secretary may make at least 50 percent of such payment available to a producer as soon as possible after the producer agrees to undertake the diversion of land in return for such payments.

Special grazing and hay program

Section 1309 amends section 109(a) of the Agricultural Act of 1949 to extend the authority of the Secretary to administer a special wheat acreage grazing and hay program in each of the 1986 through 1989 crop years.

TITLE XIV—FOOD STAMPS AND COMMODITY DISTRIBUTION

Subtitle A—Food Stamps

Publicly operated community health centers

Section 1401 amends section 3 of the Food Stamp Act of 1977 to permit publicly operated community health centers to accept food stamp from their residents who are participating in drug addiction or alcoholic treatment programs. Section 1401 would also make residents of such programs eligible to participate in the Food Stamp Program. Currently, only drug addiction of alcoholic treatment program runs by private nonprofit institutions may be authorized to accept food stamps and their residents be certified for participation. Finally, section 1401 would amend section 10 of the Food Stamps Act to prohibit such community health center from redeeming food stamps at financial institutions, permitting such redemptions only through retail food store and wholesale food concerns.

Thrifty food plan

Section 1402 amends section 3(o) of the Food Stamp Act of 1977 to change one of the age ranges in the 4-person reference family used in calculating the amount of the thrifty food plan on which food stamp allotments are based. The ages of the adults in the reference family would be 20–50 years old instead of 20–54 years old.

Disabled members

Section 1403 amends section 3(r) of the Food Stamp Act of 1977 to modify the definition of a disabled person for purposes of the Food Stamp Program. This section would define as disabled anyone receiving Federal benefits based on or for whom a determination of disability or blindness under criteria substantially similar to the criteria used in the supplemental security income (SSI) program to determine disability or blindness. Currently, the Act defines as disabled several special categories of people, including disabled veterans and disabled surviving spouses and children of disabled veterans.

Food distribution program on Indian reservations

Section 1404 amends section 4(b) of the Food Stamp Act of 1977 to authorize the Secretary of Agriculture and State agencies to match social security account numbers of participants in the Food Stamp Program against the account numbers of applicants for assistance under the Commodity Distribution Program. The section also amends section 4(a) of the Agriculture and Consumer Protection Act to require the Secretary, in carrying out the Commodity Distribution Program, to require that each household member participating in such program furnish the State agency with the social security account number of such member.

Third-party payments

Section 1405 amends section 5 of the Food Stamp Act of 1977 to clarify current regulatory practice which is to include as income benefits provided to third parties on behalf of households by the

Aid to Families with Dependent Children (AFDC) program and by State and local governments. However, as in current regulations, medical, energy, and child care assistance would not be included as income. The Secretary of Agriculture would also be authorized to provide, by regulation, an exclusion for third-party payments for emergency and special assistance.

Educational loans

Section 1406 amends section 5 of the Food Stamp Act of 1977 to require that educational grants, loans and scholarships, to the extent they provide assistance beyond that for tuition and mandatory fees, be counted as income if they are provided in the form of vendor payments. This section also clarifies that no portion of a grant, scholarship or loan may be excluded from income because it is a reimbursement for expenses.

Nonrecurring lump sum payments

Section 1407 amends section 5 of the Food Stamp Act of 1977 to provide that food stamp benefits would not be adjusted to reflect a reduction in AFDC or SSI benefits due to receipt of a nonrecurring lump sum payment. Currently, when a household receives such a lump sum payment, its AFDC or SSI benefits are generally reduced, sometimes terminated for a number of months, because the payment is counted as income available to the household. Lump sum payments are applied prospectively for AFDC purposes, and AFDC benefits lost for the number of months derived by dividing the lump sum amount by the State's AFDC need standard. Food stamp benefits must now be increased to reflect the loss of this other assistance, since lump sum payments are not counted as income under the Food Stamp Program. (They are counted as resources.) Section 1407 would remove the need for such adjustments by requiring that income for food stamp purposes include the value of SSI or AFDC payments a household would have received if it had not received a lump sum payment.

Child support payments

Section 1408 amends section 5(d) of the Food Stamp Act of 1977 to exclude from income, at State option, child support payments that are excluded for purposes of the AFDC program, if a State agrees to pay for the additional food stamp benefit costs that are due to such an exclusion. The Secretary of Agriculture would prescribe the manner in which the State would pay for the added benefit costs.

Homeownership component of shelter costs

Section 1409 amends section 5(e) of the Food Stamp Act of 1977 to update references to the homeownership component of shelter costs. The term is used in describing the method for calculating the annual adjustments in the standard deduction and the cap on the excess shelter expense deduction, the dependent care deduction and the combined deduction for shelter and dependent care. The homeownership component was one of two components of shelter costs in the Consumer Price Index for all urban consumers (CPI-U) until the components of shelter costs were redefined as homeowners' costs, renters' costs and the costs of maintenance and repairs. This section would substitute "homeowners' cost, maintenance, and repair component" for the outdated reference to "homeownership component." The change in terminology would not affect how these costs are used in adjusting the deductions. They would continue to be excluded from the CPI-U when making the adjustments.

Energy assistance payments

Section 1410 amends section 5(e) of the Food Stamp Act of 1977 to clarify that shelter expenses paid by any kind of Low-Income Home Energy Assistance Act payments do not qualify as household expenses for the purpose of calculating the excess shelter expense deduction. Such expenses would not be deductible whether the LIHEA payment was made directly to the household or to an energy supplier. Section 1410 would also require State agencies to take into account out-of-pocket expenses for energy costs paid by households receiving LIHEA payments when the State agencies calculate their standard utility allowances. Thus, this section clarifies that LIHEA recipients are eligible to use the State's standard utility allowance and that States may use separate allowances for households receiving LIHEA assistance and other households or a combined allowance.

Self-employment income

Section 1411 amends section 5(f) of the Food Stamp Act of 1977 to require that self-employed households that receive their annual income over a period less than a year and have their income averaged over twelve months shall have their income calculated on anticipated earnings, rather than earnings in the previous year, if the household has experienced a substantial increase or decrease in business earnings. This provision is currently contained in Food Stamp Program regulations.

Monthly reporting and retrospective budgeting

Section 1412 amends sections 5(f) of the Food Stamp Act of 1977 to require retrospective budgeting for all households with earnings or a recent work history. It would retain the requirement that prospective budgeting be used for migrants and would also require prospective budgeting for households with no earnings and only elderly or disabled adult members. In addition, this section would retain the current authority to use, with the approval of the Secretary of Agriculture, prospective budgeting for households reporting at intervals less frequent than monthly or not reporting at any specified intervals. Finally, this section would give States the option of using either prospective or retrospective budgeting for all other types of households.

Section 1412 also amends section 6(c) of the Act relating to reporting requirements. First, it would require all households with earnings or recent work history to report monthly, or with the Secretary's approval, at less frequent periodic intervals. This section would also enable State agencies to require periodic reports from all other households (except migrants and households with no earnings and only elderly or disabled adult members).

Burial plots

Section 1413 amends section 5(g) of the Food Stamp Act of 1977 to exclude from resources the value of a burial plot for each household member. Currently, one burial plot per household member is excluded by regulation.

Categorical eligibility

Section 1414 amends section 5(j) of the Food Stamp Act of 1977 to authorize States to consider households containing only persons receiving AFDC or SSI benefits as automatically meeting the food stamp income and resources eligibility tests if the gross income of such households does not exceed 130 percent of the poverty level. Section 1414 would also prohibit automatic termination of food stamp benefits or automatic denial of food stamp eligibility based on termination or denial of AFDC or SSI benefits. Finally, section 1414 removes the legislative authority to conduct demonstration projects to test simplified food stamp eligibility and benefit determination for AFDC, SSI or Medicaid recipients.

Job training benefits

Section 1415 amends section 5 of the Food Stamp Act of 1977 to include as income allowances, earnings and payments received under programs authorized by the Job Training Partnership Act (JTPA). Currently, such payments must be excluded as income for the Food Stamp Program, under a requirement in the JTPA statute. That requirement would be overridden by this section.

Employment and training program

Section 1416 amends section 6(d) of the Food Stamp Act of 1977 to require that all States establish employment and training programs. Under this section, States would have to develop programs, under guidelines set by the Secretary of Agriculture, that could include job search training programs, employment experience programs, workfare programs under section 20 of the Act, or other employment activities approved by the Secretary. The maximum number of hours that a person subject to work requirements could be required to participate in employment and training activities would be the number of hours equal to the household's allotment divided by the higher of the applicable State or Federal minimum wage, up to a maximum of 120 hours per month. State agencies would be required to reimburse participants for actual costs of transportation and other actual expenses directly related and necessary for participation in the work activities, up to $25 a month. The Secretary would have to ensure, in cooperation with the Secretary of Labor that employment and training programs are provided in Indians residing on Indian reservations.

Starting in fiscal year 1987, States would be required to place in work activities set percentages of persons subject to work requirements and participating in the Food Stamp Program for more than 30 consecutive days. State agencies would have to place 25 percent of such work registrants in employment and training activities by the end of fiscal year 1987, 35 percent by the end of fiscal year

1988, 35 percent by the end of fiscal year 1989, and 45 percent by the end of fiscal year 1990.

Section 1416 also amends section 6 and section 20 of the Act to expand the categories of persons subject to work requirements. It would require participants between 16 and 18 years of age to comply with work requirements unless such persons do not head a household or are attending school full-time. This section would also permit State agencies to require caretakers of children from 3 to 6 years of age to comply with work requirements if adequate child care is available. This section would further amend the categories of persons required under section 20 of the Act to comply with workfare requirements to delete the exemption currently provided for the second parent or caretaker in a household if one parent or caretaker is employed or subject to work requirements. It would also provide that hourly obligations for households exempt from food stamp work requirements due to participation in a community work experience program operated for the Aid to Families with Dependent Children (AFDC) program under title IV of the Social Security Act would be based on the household's food stamp allotment plus its AFDC grant.

Section 1416 provides a grant of $40 million in fiscal year 1986, $50 million in fiscal year 1987, $60 million in fiscal year 1988, and $75 million in fiscal year 1989 to be distributed to States for employment and training programs without a requirement for State matching. It would authorize 50 percent Federal funding for costs incurred by State agencies over the amount they receive from this grant.

Aliens

Section 1417 amends section 6(f) of the Food Stamp Act of 1977 to count all income of an ineligible alien as available to his or her household. Currently, the Act requires that an ineligible alien's income less a prorate share be counted as income available to the household. Section 1417 would also make technical changes to the references in section 6(f) to the Immigration and Nationality Act in order to reflect changes in terminology that have been made in that law.

Sales tax

Sectin 1418 amends section 7(b) of the Food Stamp Act of 1977 to prohibit the charging of sales tax on food purchases made with food stamp coupons. This would be accomplished by providing that the transaction of food stamp coupons would not be a taxable event. This section would delay the application of the prohibition against charging sales tax on food stamp purchases until the beginning of the fiscal year of the year in which the first session of the State legislature is held after enactment of the provision.

Alternative means of coupon issuance

Section 1419 amends section 7(g)(1) of the Food Stamp Act of 1977 by requiring the Secretary of Agriculture to require the use of alternative methods of food stamp coupon issuance, including electronic benefit transfer, when the Secretary in consultation with the Inspector General determines that program integrity would be improved by instituting a different method of issuance in an area. Currently, under section 7(g)(1), the Secretary may require alternative issuance methods under the same conditions.

Simplified application and standardized benefits

Section 1420 amends section 8 of the Food Stamp Act of 1977 to authorize, at State option and subject to the Secretary's approval, further use of simplified application and benefit determination procedures for households containing one or more members that receive Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), or Medicaid benefits and whose household income does not exceed the applicable food stamp income standard of eligibility. This section would enable States to provide standardized, average allotments to such households, provided that such averaged allotments are not less than the average value of food stamp benefits that would be provided under standard Food Stamp Program procedures.

Redemption of coupons

Section 1421 amends section 10 of the Food Stamp of 1977 to prohibit banks and savings and loan associations from charging authorized retailers for the redemption of food stamps accepted from participating households to defray the cost of complying with a requirement, other than a cancellation requirement, for the presentation of coupons to a Federal reserve bank. Currently, there is no prohibition against banks charging fees for redeeming food stamps.

Eligibility of the homeless

Section 1422 amends section 11(e)(2) of the Food Stamp Act of 1977 to require State agencies to provide a means of certifying and issuing food stamps to eligible households that do not reside in permanent dwellings or have fixed mailing addresses. Section 1422 would also require State agencies to take actions necessary to ensure that only eligible homeless persons participate.

Certification of information

Section 1423 amends section 11(e)(2) of the Food Stamp Act of 1977 to require all adult members of a household, or one adult member of a household being certified under expedited service procedures, to certify under penalty of perjury, the truth of all information on the household's application form and all other reports which the household is required to file.

Verification

Section 1424 amends section 11(e)(3) of the Food Stamp Act of 1977 to require State agencies to verify household size in any case in which household size is questionable. Currently, the Act requires verification only of nonexcluded income and other eligibility factors determined by the Secretary of Agriculture to be necessary. Section 1424 would also permit State agencies, as well as the Secretary, to establish other factors that must be verified.

Photographic identification cards

Section 1425 amends section 11(e) of the Food Stamp Act of 1977 to change the criteria for requiring the use of photographic identification cards by households in certain project areas. Under current law, the Secretary of Agriculture, after consulting with the Inspector General may require State agencies to require most households to present photographic identification cards to receive coupons in project areas where the Secretary determines that this practice would be useful to protect program integrity. The amendment would also require the Secretary to determine that the practice would be cost-effective.

In addition, section 1425 would allow a State agency to permit households to comply with a requirement for a food stamp photographic identification card by presenting a photographic identification card used to receive assistance under a welfare or public assistance program.

Staggered issuance of coupons

Section 1426 amends section 11(e) of the Food Stamp Act of 1977 to permit State agencies to stagger food stamp coupon issuance throughout a month. While State agencies would be allowed to stagger their coupon issuance schedule over the course of the entire month, no household could go more than 40 days between coupon issuances as a result of changes in scheduling.

Fraud detection

Section 1427 amends section 11(e) of the Food Stamp Act of 1977 to require State agencies to establish and operate fraud detection units in all project areas with 5,000 or more participating households. The responsibilities of such units would include fraud detection, fraud investigation, and assistance in fraud prosecution.

Social Security office application procedures

Section 1428 amends section 11 of the Food Stamp Act of 1977 to require that applicants for and recipients of Social Security benefits be informed at the Social Security office of the availability of the Food Stamp Program and the availability of assistance in making an application for food stamp benefits. This section also requires the Secretary of Agriculture and the Secretary of Health and Human Services to revise their memorandum of understanding relating to services provided in Social Security offices to reflect these changes.

Special supplemental food program

Section 1429 amends section 12 of the Food Stamp Act of 1977 to add a new subsection (e) to make a retail food store or wholesale food concern that has been disqualified under the Food Stamp Program ineligible to participate in the special supplement food program for women, infants, and children (WIC) established under section 17 of the Child Nutrition Act of 1966.

This period of ineligibility would last until the food stamp disqualification period ended. These periods may range from 6 months to permanent disqualification, depending on the severity and frequency of violations.

In addition, section 1429 amends section 9(c) of the Act to authorize information obtained from retail food stores and wholesale food concerns to be used in administration of the special supplemental food program (WIC). Current law limits the disclosure and use of this information to purposes directly connected with Food Stamp Program administration.

Disqualification of retail food stores and civil money penalties

Section 1430 amends section 12 of the Food Stamp Act of 1977 to add a new subsection (f) to subject retail food stores or wholesale food concerns that are sold during a disqualification period to a civil money penalty. The amount of the penalty would be established by Secretary of Agriculture and reflect the portion of the disqualification period that has not expired on the sale of the store or concern. The penalty for a permanently disqualified store or concern would be twice the amount imposed for a 10 year disqualification. The disqualification would remain in effect after the money penalty was imposed. The Secretary could request the Attorney General to collect the money penalty in a United States district court. The validity and amount of the penalty would not be subject to judicial review.

The section also amends section 9(b) of the Food Stamp Act of 1977 to prohibit the buyer of the store of concern from accepting food stamps until the money penalty is fully paid if the buyer had actual or constructive notice of the penalty when the store or concern was sold. The Secretary would be required, to the extent permitted under law, to record encumbrances created under this provision with an appropriate State or local public office. The seller of a disqualified store or concern would be required to advise a prospective buyer of the restrictions on authorizing the store to redeem coupons prior to the sale. The buyer could not be required to furnish a bond as a result of the disqualification of the prior owner.

Liability for overissuance of coupons

Section 1431 amends section 13(a) of the Food Stamp Act of 1977 to make all adult household members jointly and severally liable for the value of any overissuance of benefits to the household. This provision would permit States to simultaneously pursue claims against several different households which contain adult members of a household that obtained an overpayment of benefits, to the extent permitted by this Act.

Interest on claims against State agencies

Section 1432 amends section 13(a) of the Food Stamp Act of 1977 to make State agencies liable for interest on claims assessed against the State by the Secretary of Agriculture. However, interest would not begin to accure until the State agency exhausted the administrative review process. This provision would apply to claims established by the Secretary for excessive payment error rates, issuance losses, and gross negligence or fraud in household certification.

Collection of claims

Section 1433 amends section 13(b) of the Food Stamp Act of 1977 to require States to use other means of collection to collect claims arising from intentional program violations, which are not collected through cash payment or allotment reduction, unless the State agency can demonstrate that other collection methods are not cost-effective. Under current law, State agencies are authorized to use alternative collection methods to pursue these claims, but are not required to do so.

In addition, section 1433 allows State agencies to reduce household allotments to collect claims arising from State agencies' errors.

Food stamp intercept of unemployment benefits

Section 1434 amends sections 13, 11(e), 16(a), and 18(e) of the Food Stamp Act of 1977 to authorize the intercept of unemployment compensation benefits to collect claims arising from a food stamp overissuance caused by an intentional program violation. State agencies that elect this option would determine if individuals against whom such claims had been established were due unemployment compensation benefits. In addition, State unemployment compensation agencies could ask applicants for unemployment compensation whether they owe a claim based on an intentional program violation, and inform the State food stamp agency about individuals who indicate that they owe such a claim and are eligible for unemployment compensation. State food stamp agencies would obtain authorization for an intercept of unemployment compensation benefits either by securing the consent of the individual against whom a claim has been made or obtaining permission from a court. The State food stamp agency would provide this authorizatio to the State agency that administers the unemployment compensation program. This agency would deduct the amount of the food stamp claim from the individual's unemployment compensation benefits and transfer the withheld amount to the State food stamp agency. State food stamp agencies would be required to reimburse the State agencies that administer unemployment compensation programs for their administrative costs incurred in intercepting benefits. States would retain 50 percent of the amount of claims recovered through such intercepts.

Administrative and judicial review

Section 1435 amends section 14(a) of the Food Stamp Act of 1977 by changing the criterion a retail store, wholesale food concern, or State agency would need to meet to obtain a judicial stay of an administrative action of the Secretary of Agriculture. Under current law, a store, concern, or State agency can obtain a judicial stay if it can show that irreparable injury would result if the adminstrative action remained in force. The provision would require the petitioner to show that it is likely to prevail on the merits of the case.

In addition, the section corrects a typographical error in section 14(a) of the Act.

Hours of operation

Section 1436 amends section 16(b) of the Food Stamp Act of 1977 to require the Secretary of Agriculture to set standards for States' periodic reviews of office hours of operations. Such reviews would determine whether the needs of employed persons are met by the hours of certification and issuance offices.

Error rate sanction program

Section 1437 amends section 16 of the Food Stamp Act of 1977 to change the basis for calculating and applying fiscal sanctions against State agencies that have overpayment error rates in excess of 5 percent of benefits issued in fiscal year 1986 and fiscal years thereafter. Currently, fiscal sanctions are calculated as a percentage of State administrative costs. Under this section, sanctions would be based on benefits overissued and calculated in two stages. This section would first hold a State agency liable for 75 percent of the dollar value of benefits issued erroneously between 5 and 7 percent. A State agency would be further liable for 100 percent of benefits issued in error in excess of 7 percent. Finally, this section would reduce fiscal sanctions otherwise applicable by 75 percent of the value of claims collections remitted to the Federal government during the fiscal year in question for overissuances after October 1, 1985.

Geographical error prone profiles

Section 1438 amends section 16 of the Food Stamp Act of 1977 by adding a new subsection (h) to authorize the Secretary of Agriculture to require special certification procedures in project areas with high payment error rates. The Department's Inspector General would be authorized to use quality control data to identify project areas with payment error rates that impair the integrity of the Food Stamp Program. The Secretary would be authorized to mandate States to employ new or modified certification procedures in project areas if such procedures would improve program integrity in a cost-effective manner. The Secretary would be required to report one year after the date of enactment of the bill, and annually thereafter, to the Congress on project areas identified by the Inspector General and on special certification activities required by the Secretary.

SSI/elderly cash-out demonstration projects

Section 1439 amends section 17(b)(1) of the Food Stamp Act of 1977 to require the Secretary of Agriculture to extend until September 30, 1989, at State request, projects in which cash is provided in lieu of food stamp to households all of whose members are either elderly or receiving Supplemental Security Income (SSI) benefits under title XVI of the Social Security Act.

Cash change pilot project

Section 1440 amends section 17 of the Food Stamp Act of 1977 to authorize the Secretary of Agriculture to conduct a pilot project on the effects of eliminating cash change. The Secretary would be allowed to operate a demonstration project in which household members using coupons to purchase food would be required to pay cash for the amount of the purchase in excess of the value of the one dollar coupon. The Secretary would evaluate the effect of this requirement on retail stores and participating households.

Authorization for appropriations

Section 1441 amends section 18 of the Food Stamp Act of 1977 to authorize appropriations to carry out the Food Stamp Program through September 30, 1989. Authorization levels would be $12.984 billion for fiscal year 1986, $13.572 billion for fiscal year 1987, $14.154 billion for fiscal year 1988, and $14.695 billion for fiscal year 1989.

Transfer of funds

Section 1442 amends section 18 of the Food Stamp Act of 1977 to prohibit funds appropriated under the Act to be transferred to the Department of Agriculture's Office of the Inspector General or Office of the General Counsel. These offices would be required to secure funding for their activities currently financed under the Food Stamp Act through other appropriations channels.

Puerto Rico block grant

Section 1443 amends section 19 of the Food Stamp Act of 1977 to modify the provisions governing the Puerto Rico block grant in three ways. First, the requirement that Puerto Rico provide noncash benefits beginning October 1, 1985 would be deleted. Puerto Rico has provided nutrition assistance benefits though checks since the inception of its Nutrition Assistance Program on July 1, 1982, but is required to adopt a noncash benefit system effective October 1, 1985. This provision would permit the Commonwealth to continue to provide cash assistance. Second, the date by which the Commonwealth must submit its plan describing the provision of assistance would be changed from July 1 to April 1 of the prior fiscal year. Third, the requirement that the Commonwealth designate a single agency as responsible for the supervision of program administration would be modified to allow different agencies to be responsible for different phases of the nutrition assistance program. This change would permit the Commonwealth to designate one agency as responsible for certain special projects while a different agency would be responsible for the primary nutrition assistance program.

Subtitle B—Commodity Distribution

Transfer of section 32 commodities

Section 1450 permits transfer of perishable agricultural commodities purchased under surplus removal operations authorized under section 32 of Public Law 74-320 by a public or private nonprofit organization that receives these commodities under clause (2) of the second sentence of that section to another such organization which agrees to use the commodities in providing nutrition assistance to individuals in low-income groups without cost or waste.

Commodity Distribution Program

Section 1451 extends the Commodity Distribution Program under section 4(a) of the Agriculture and Consumer Protection Act of 1973 through September 30, 1989. This section also would change the eligibility standards for the Commodity Distribution Program for Summer Camps to be more consistent with the Summer Food Service Program for Children.

Commodity Supplemental Food Program

Section 1452 extends the Commodity Supplemental Food Program under section 5(a) of the Agriculture and Consumer Protection Act of 1973 through September 30, 1989.

This section also extends the authority of the Secretary of Agriculture to conduct pilot projects (increasing the number from 2 to 3) directed at low-income elderly persons. This authority would be extended through September 30, 1989. The section authorizes local agencies operating the Commodity Supplemental Food Program, with the approval of the Secretary, to use unused caseload to serve low-income elderly. The Secretary would be required to approve additional applications for eligible projects to participate in the Commodity Supplemental Food Program if the Secretary determines that the funds appropriated exceed the requirement for current operating sites.

Temporary Emergency Food Assistance Program

Section 1453 amends section 202 of the Temporary Emergency Food Assistance Act of 1983 to make section 32 commodities available for Temporary Emergency Food Assistance Program (TEFAP) distribution in addition to the price-suppport commodities already distributed. The section also requires States to encourage distribution of TEFAP commodities in rural areas; specifies that the commodities made available under TEFAP would include dairy products, wheat and wheat products, rice, honey, and cornmeal; requires a semiannual report from the Secretary of Agriculture to the House and Senate agriculture committees on the types and amounts of commodities made available for distribution under TEFAP; and requires annual publication in the Federal Register of available commodities.

The bill extends the authorization for appropriations for the payment of storage and distribution costs of State and local operating agencies at $50 million for each of fiscal years 1986 and 1987. The bill adds a requirement that to be eligible to receive payments for storage and distribution costs, however, a State must match on a dollar for dollar basis the amount of the Federal payments made to the State.

The bill extends the TEFAP for 2 years through September 30, 1987, extends the National Commodity Processing Program through June 30, 1987, and continues through September 30, 1989, the provision to include bonus commodities in the calculation of the 15 percent limitation on administrative cost reimbursement under the Commodity Supplemental Food Program.

Distribution of surplus commodities to special nutrition projects

Section 1454 amends section 1114(a) of the Agriculture and Food Act of 1981 to specify that the commodities made available under that provision would include dairy products, wheat and wheat products, rice, honey, and cornmeal.

Donations by military commissaries

Section 1455 permits a commissary store of the Department of Defense to donate non-USDA surplus, unmarketable food to a local food bank.

Subtitle C—Effective dates

Section 1460 provides that changes contained in the food stamp title of the bill shall be effective upon enactment. It further requires the Secretary of Agriculture to promulgate interim regulations to assure implementation of these changes no later than March 1, 1986.

TITLE XV—AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING

Subtitle A—General Provisions

Findings

Section 1501 amends section 1402 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (hereafter referred to as "the 1977 Act") to add a congressional finding to the effect that the agricultural system of the United States (1) is increasingly dependent on science and technology to maintain and improve productivity levels, manage the resource base, provide high quality products, and protect the environment, and (2) requires a constant supply of expertise in food and agricultural sciences.

Definitions

Section 1502 amends section 1404 (8) of the 1977 Act to expand the defintion of "food and agricultural sciences" for purposes of the 1977 Act to include international food and agricultural issues, such as agricultural development, development of institutions, germ plasm collection and preservation, information exchange and storage, and scientific exchanges.

Responsibilities of the Secretary of Agriculture

Section 1503 amends section 1405 of the 1977 Act to delete paragraph (11), which required the Secretary of Agriculture to develop, in conjunction with others, a long-term needs assessment for food, fiber, and forest products and to determine the research requirements necessary to meet such needs. The assessment has been completed. A new paragraph (11) is added which requires the Secretary to establish appropriate controls with respect to the development and use of the application of biotechnology to agriculture.

Joint Council on Food and Agricultural Sciences

Section 1504 amends section 1407(a) of the 1977 Act to extend the term of the Joint Council on Food and Agricultural Sciences through September 30, 1989.

National Agricultural Research and Extension Users Advisory Board

Section 1505(a) amends section 1408(a) of the 1977 Act to extend the term of the National Agricultural Research and Extension Users Advisory Board through September 30, 1989.

Section 1505(b) amends section 1408(f) of the 1977 Act to delete the requirement that the Advisory Board submit a report, not later than February 20 of each year, to the President and the Senate and House agriculture and appropriations committees on the Advisory Board's appraisal of the President's proposed budget for the food and agricultural sciences for the fiscal year beginning in such year. The bill provides that such appraisal of the proposed budget of the President is to be included in the Advisory Board's annual July 1 statement to the Secretary of Agriculture. Section 1505(b) also requires the Secretary to furnish copies of the July 1 statement and appraisal to the Senate and House agriculture and appropriations committees.

Federal-State partnership

Section 1506 amends secton 1409A(a) of the 1977 Act, which states that a unique partnership arrangement exists between the Federal Government and the States in food and agricultural research, extension and teaching; enumerates the primary statutes that effect such partnership; and states the need to preserve and enhance such partnership. The bill adds international agricultural programs under title XI of the Foreign Assistance Act of 1961 to the enumerated statutes that effect such partnership.

Report of the Secretary of Agriculture

Section 1507 amends section 1410 of the 1977 Act to delete the requirement that the Secretary of Agriculture include in the 1984 report to the President and the Congress on the Nation's agricultural research, extension, and teaching activities the Secretary's needs assessment developed pursuant to section 1405(11) of the 1977 Act. The assessment has been completed and the report issued.

Competitive, Special, and Facilities Research Grants Program

Section 1508(a) amends section 2(b) of the Act of August 4, 1965 (hereafter referred to as "the 1965 Act") which authorizes a program of competitive grants for research to further the programs of the Department of Agriculture. Such grants, to the greatest extent possible, are to be allocated to high priority research.

Section 1508(a) amends section 2(b) of the 1965 Act to add to the list of high priority research areas research to develop new and alternative industrial uses for agricultural crops and research to reduce farm input costs through the collection of national and international data and the transfer of appropriate technology relating to sustainable agricultural systems, soil, energy, and water conservation technologies, rural and farm resource management, and the diversification of farm product processing and marketing systems.

Section 1508(b) amends section 2(b) of the 1965 Act to authorize appropriations of $70,000,000 for each of the fiscal years 1986 through 1989 for competitive research grants.

Section 1508(c) adds a new subsection 2(i) to the 1965 Act providing that the Federal Advisory Committee Act and title XVIII of the Food and Agricultural Act of 1977 would not apply to a panel or board created for the purpose of reviewing applications or proposals submitted under the competitive, special, or facilities grants programs authorized by section 2 of the 1965 Act.

Grants for schools of veterinary medicine

Section 1509 amends section 1415(c)91) of the 1977 Act to increase from 4 to 5 percent the percentage of funds appropriated for grants to States to establish or expand schools of veterinary medicine that would be retained by the Department of Agriculture for administration, program assistance to eligible States, and program coordination.

Research facilities

Section 1510 amends the Act of July 22, 1963 (hereafter referred to as the "Research Facilities Act").

Section 1510(a) amends the first section of the Research Facilities Act, which sets forth congressional policy of supporting research at eligible institutions through Federal-grant funds to help finance physical research facilities, to provide that such grants be on a matching funds basis and that the funds may be used to help finance research equipment as well as physical facilities as required for the effective conduct of an adequate research program.

Section 1510(b) amends section 2 of the Research Facilities Act, which provides that the purpose of the Research Facilities Act is to assist eligible institutions in the construction, acquisition, and remodeling of buildings, laboratories, and other capital facilities (including the acquisition of fixtures and equipment which are to become a part of such buildings) which are necessary to more effectively conduct research in agricultural and related sciences through Federal grants. The bill eliminates the requirement that allowable fixtures and equipment include only those which are to become part of the buildings and provides that Federal grants be matching grants.

Section 1510(c) amends section 3 of the Research Facilities Act to expand the definition of "State" to include the District of Columbia, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands. In addition, section 1510(c) expands the definition of "eligible institution" to include departments otherwise established pursuant to standards prescribed by a State the purpose of which is to conduct forestry, or veterinary medicine research.

Section 1510(d) amends section 4(a) of the Research Facilities Act to extend the authorization for appropriations at the current level of $31,000,000 for each of the fiscal years 1986 through 1989. Section 1510(d) also amends section 4(a) to specify that the amount of the non-Federal share required for a matching grant under the Research Facilities Act is to be determined by the Secretary of Agriculture. Section 1510(d) also amends section 4(a) to change the word "allocation" to "grants" to reflect the elimination of the allocation formula is provided in section 1510(e).

Section 1510(e) amends section 4 of the Research Facilities Act by striking out the formula for allocating funds for research facilities among eligible institutions.

Section 1510(f) amends section 5 of the Research Facilities Act to delete reference to apportioned funds since, by deletion of the allocation formula as provided for in section 1510(e), funds would not be apportioned among all eligible institutions annually. Section 1510(f) also deletes the requirement that facilities proposals for the acquisition of fixtures and equipment, including scientific instrumentation, be for fixtures and equipment which are to become part of the buildings. The bill also deletes the requirement to ensure that the facility proposals from States having more than one eligible institution provide for a coordinated research program.

Section 1510(g) repeals section 6 of the Research Facilities Act which provides that any unused portion of the allotment to any eligible institution for any fiscal year remain available at the option of such institution for payment to such institution for a period of not more than 5 fiscal years following the fiscal year in which such allotment is first made available.

Section 1510(h) amends section 7 of the Research Facilities Act to provide that with respect to multiple-purpose equipment and physical facilities, that portion thereof that is to be used for food and agricultural research and related programs, including forestry and veterinary medicine, would be the basis of determination of fund support under the Research Facilities Act.

Section 1510(i) makes conforming amendments to section 8 of the Research Facilities Act to reflect the elimination of the allocation formula.

Sections 1510(j) and (k) make conforming amendments to sections 9(a) and (b) of the Research Facilities Act to reflect the elimination of the allocation formula.

Section 1510(l) makes a conforming amendment to section 10(3) of the Research Facilities Act by striking out a reference to appropriation allotment.

Grants and fellowships for food and agricultural sciences education

Section 1511(a) amends section 1417(a) of the 1977 Act by eliminating the requirement that grants be made without regard to matching funds. In addition, section 1511(a) requires that each recipient institution have a significant ongoing commitment to the food and agriculture sciences generally and to the specific subject area for which the grant is to be used.

Section 1511(b) amends section 1417(d) of the 1977 Act by extending the authorization for appropriations at the current level of $50,000,000 for each of the fiscal years 1986 through 1989.

Food and Human Nutrition Research and Extension Program

Section 1512 repeals sections 1424 and 1427 of the 1977 Act. Section 1424 requires the Secretary of Agriculture to perform a study assessing the potential value and cost of establishing regional food and human nutrition research centers in the United States and to submit a report concerning the findings of the study and recommendations to the Congress. Section 1427 requires the Secretary and the Secretary of health and Human Services to formulate and submit to Congress a plan for a human nutrition research management system. The requirements of both sections have been carried out.

Animal health and disease research

Section 1513(a) amends section 1432(a) of the 1977 Act to extend the term of the Animal Health Science Research Advisory Board through September 30, 1989.

Section 1513(b) amends section 1433(a) of the 1977 Act to extend the authorization for appropriations for continuing animal health and disease research programs at the current level of $25,000,000 annually through fiscal year 1989.

Section 1513(c) amends section 1434(a) of the 1977 Act to extend the authorization for appropriations for research on national or regional animal health or disease problems at the current level of $35,000,000 annually through fiscal year 1989.

Research and extension at 1890 land-grant colleges

Section 1514(a) amends section 1444(a) of the 1977 Act to extend through fiscal year 1991 the requirement that an amount not less than 6 percent of the total appropriations for each year under the Smith-Level Act be appropriated for extension at 1890 land-grant colleges and Tuskegee Institute.

Section 1514(b) amends section 1445(a) of the 1977 Act, which authorizes annual appropriations to support continuing agricultural research at 1890 land-grant colleges and Tuskegee Institute, to add the requirement that no more than 5 percent of the funds received by an institution under this section in any fiscal year may be carried forward to the succeeding fiscal year.

International agricultural research and extension

Section 1515 amends section 1458(a) of the 1977 Act to expand the authority of the Secretry of Agriculture to work with developed and transitional countries on food, agricultural and related research and extension to include the provision of technical assistance and advice in addition to the training of persons from such countries engaged in such activities. In addition, section 1515 qualifies the Secretary's authority to assist U.S. colleges and universities in strengthening their capabilities for food, agricultural, and related research and extension relevant to agricultural development activities in other countries by specifically providing that this shall be accomplished through the development of highly qualified scientists with specialization in international development.

Studies

Section 1516 repeals sections 1460, 1461 and 1462 of the 1977 Act, which require the Secretary of Agriculture to conduct studies of weather and water allocation, organic farming, and agricultural research facilities, respectively. The studies have been completed.

Authorization for appropriations for certain agricultural research programs

Section 1517(a) amends section 1463(a) of the 1977 Act to extend the authorization for appropriations for agricultural research programs, with certain exceptions, at the current level of $890,000,000 for each of the fiscal years 1986 through 1989.

Section 1517(b) amends section 1463(b) of the 1977 Act to extend the authorization for appropriations for agricultural research at State agricultural experiment stations under the Hatch Act of 1887 at a level of $300,000,000 for each of the fiscal years 1986 through 1989. The authorization level for fiscal year 1985 is $250,000,000.

Authorization for appropriations for extension education

Section 1518 amends section 1464 of the 1977 Act to authorize appropriations of $380,000,000 for each of the fiscal years 1986 through 1989 for extension and related programs administered by or funded through the Extension Service.

Contracts, grants, and cooperative agreements

Section 1519 amends section 1472 of the 1977 Act to add a new subsection (e) which, notwithstanding the provisions of the Federal Grant and Cooperative Agreement Act (codified in chapter 63 of title 31, United States Code) prescribing criteria for executive agencies to follow in selecting and using contract, grant, and cooperative agreement instruments, authorizes the Secretary of Agriculture to use a cooperative agreement as the legal instrument reflecting a relationship between the Secretary and a State cooperative institution, State department of agriculture, college, university, other research or educational institution or organization, Federal or private agency or organization, individual, or any other party, if the Secretary determines that (A) the agreement will further an objective of each of the parties to the agreement in an agricultural research, extension, or teaching activity, including statistical reporting and (B) all such parties will contribute resources to the accomplishment of such objectives. Section 1519 also authorizes a Federal agency, notwithstanding any other provisions of law, to participate in such a cooperative agreement by contributing funds through the appropriate agency of the Department of Agriculture or otherwise.

Indirect costs

Section 1520 amends section 1473 of the 1977 Act, which provides, in part, that no indirect costs or tuition remission may be charged against funds in connection with cooperative agreements between the Department of Agriculture and State cooperative institutions. Section 1520 provides that this prohibition on the use of funds for the reimbursement of indirect costs would not apply to funds for international agricultural programs conducted by a State cooperative institution and administered by the Secretary of Argiculture or to funds provided by a Federal agency for such cooperative program or project through a fund transfer, advance or reimbursement. In addition, the Secretary is required to limit the amount of reimbursement for indirect costs to an amount necessary to carry out the program or agreement.

Special Technology Development Research Program

Section 1521 adds a new section 1473A to the 1977 Act to authorize the Secretary of Agriculture notwithstanding the provisions of chapter 63 of title 31, United States Code, to enter into a cooperative agreement with a private agency, organization, or individual to share the cost of a research project, or to allow the user of a Federal facility or service on a cost-sharing or cost reimbursable basis, to develop new agricultural technology to further a research program of the Secretary.

New section 1473A provides that beginning in fiscal year 1986 and extending through fiscal year 1989, not more than $3,000,000 of the funds appropriated to the Agricultural Research Service of the Department of Agriculture for each fiscal year may be used to carry out this section. To be eligible to receive a contribution under this section, recipients must contribute matching funds from non-Federal sources in an amount equal to at least 50 percent of the Federal contribution under this section. Funds received by the Secretary under this section would be deposited in a separate account or accounts, to be available until expended. Such funds could be used to pay directly the costs of such research programs and to repay or make advances to appropriations or other funds which do or will initially bear all or part of such costs. The Secretary may contribute no more than $50,000 of funds or in kind assistance for a particular research project in any fiscal year or a total amount $150,000 for any particular research project.

Aquaculture

Section 1522(a) amends section 1475 of the 1977 Act by deleting subsection (e) which requires the Secretary of Agriculture to submit an annual report to the President and certain congressional committees on the progress of the Department of Agriculture in meeting the purposes of the aquaculture assistance programs.

Section 1522(b) repeals section 1476 of the 1977 Act which provides for the establishment of an Aquaculture Advisory Board.

Section 1522(c) amends section 1477 of the 1977 Act to extend the authorization for appropriations for aquaculture assistance programs under section 1475 of the 1977 Act at the current level of $7,500,000 for each of the fiscal years 1986 through 1989 and to delete the requirement that the Secretary consult with the Aquaculture Advisory Board in developing plans for use of the funds.

Rangeland research

Section 1523(a) amends section 1482(a) of the 1977 Act to extend the term of the Rangeland Research Advisory Board through September 30, 1989.

Section 1523(b) amends section 1483(a) of the 1977 Act to extend the authorization of appropriations for rangeland research at the current level of $10,000,000 for each of the fiscal years 1986 through 1989.

Grants to upgrade 1890 land-grant college research facilities

Section 1524(a) amends section 1433(a) of the Agriculture and Food Act of 1981 to specify that grants made under that section to assist 1890 land-grant Colleges in the acquisition and improvement of research facilities may be used for the acquisition and improvement of agricultural libraries.

Section 1524(b) extends the authorization for appropriations for such grants at the current level of $10,000,000 for each of the fiscal years 1986 through 1989.

Soybean Research Advisory Institute

Section 1525 repeals section 1446 of the Agriculture and Food Act of 1981 which establishes a temporary Soybean Research Advisory Institute to assess and make a comprehensive report on research on soybean production and utilization. The report has been made and the Institute dissolved.

Research for expanded sales of United States agricultural products in foreign markets

Section 1526 requires the Secretary of Agriculture to increase and intensify research programs conducted by or for the Department of Agriculture that are directed at developing technology to overcome barriers to expanded sales of U.S. agricultural commodities and the products thereof in foreign markets, including research programs for the development of procedures to meet plant quarantine requirements and improvement in the transportation and handling of perishable agricultural commodities.

Subtitle B—Agricultural Productivity Research

Definitions

Section 1531 defines the terms "extension", "Secretary", "State", and "State agricultural experiment stations" for purposes of this subtitle.

Findings

Section 1532 declares the findings of Congress to the effect that highly productive and efficient agricultural systems and sound conservation practices are essential to ensure the long-term agricultural viability and profitability of farms and ranches in the United States; the agricultural research and technology transfer activities of the Secretary of Agriculture (including activities of the Extension Service, the Agricultural Research Service, and the Cooperative State Research Service of the Department of Agriculture), State cooperative extension services, land-grant and other colleges and universities, and State agricultural experiment stations have contributed greatly to innovation in agriculture and have a continuing role to play in improving agricultural productivity; the annual irretrievable loss of billions of tons of precious top soil through wind and water erosion reduces agricultural productivity; many farmers and ranchers are highly dependent on machines and energy resources for agricultural production; public funding of a properly planned and balanced agricultural research program is essential to improving efficiency in production and conservation practices; and expanded agricultural research and extension efforts are needed to assist farmers and ranchers to improve agricultural productivity and implement soil, water, and energy conservation practices.

Purposes

Section 1533 declares the purpose of the subtitle as facilitating and promoting scientific investigation in order to enhance agricultural productivity, maintain the productivity of land, reduce soil erosion and loss of water and plant nutrients, and conserve energy and natural resources; and facilitating the conduct of research projects in order to study agricultural production systems that (A) are located, to the extent practicable, in areas possessing various soil, climatic, and physical characteristics, (B) have been and will continue to be managed using farm production practices that rely on items purchased for the production of an agricultural commodity and that rely on a variety of conservation practices, and (C) are subjected to a change from the practices first described in clause (B) to the other practices described in clause (B).

Information study

Section 1534(a) requires the Secretary of Agriculture, subject to the provisions of section 1538 of this subtitle, to inventory and classify by subject matter all studies, reports, and other materials developed by any person or governmental agency with the participation or financial assistance of the Secretary, that could be used to promote the purposes of this subtitle.

Section 1534(b) requires the Secretary in carrying out section 1534(a) to identify, assess, and classify existing information and research reports which would further the purposes of this subtitle, including information and research relating to legume-crop rotation, the use of green manure, animal manures, and municipal wastes in agricultural production, soil acidity, liming in relation to nutrient release, intercropping, the role of organic matter in soil productivity and erosion control, the effect of topsoil loss on soil productivity, and biological methods of weed, disease, and insect control; identify which of such reports provide useful information and make such useful reports available to farmers and ranchers; and identify gaps in such information and carry out a research program to fill such gaps.

Research projects

Section 1535(a) requires the Secretary of Agriculture, in cooperation with Federal State research agencies and agricultural producers and subject to section 1538 of the subtitle, to conduct such research projects as are needed to obtain data, draw conclusions, and demonstrate technologies necessary to promote the purposes of this subtitle.

Section 1535(b) requires the Secretary, in carrying out research projects under section 1535(a), to conduct projects and studies in areas that are broadly representative of U.S. agricultural production including production on small farms.

Section 1535(c) authorizes the Secretary to conduct research projects involving crops, soils, production methods, and weed, insect and disease pests on individual fields or other areas of land.

Section 1535(d) requires the Secretary, in the case of a research project conducted under section 1535 which involves the planting of a sequence of crops, to conduct such project for a term of at least 5 years, and, to the extent practicable, 12 to 15 years.

Section 1535(e) requires the Secretary, in coordination with the Extension Service and State cooperative extension services, to take such steps as are necessary to ensure that farmers and ranchers are aware of projects conducted under this section. The Secretary is also required to ensure that such projects are open for public observation at specified times.

Section 1535(f) authorizes the Secretary to indemnify an operator of project conducted under this section for damage incurred or undue losses sustained as a result of a rigid requirement of research or demonstration under such project that is not experienced in normal farming operations. Any such indemnity payment would be subject to any agreement between a project grantee and operator entered into prior to the initiation of such project.

Coordination

Section 1536 requires the Secretary of Agriculture to establish a panel of experts consisting of representatives of the Agricultural Research Service, Cooperative State Research Service, Soil Conservation Service, Extension Service, State Cooperative extension services, State Agricultural Experiment stations, and other specialists in agricultural research and technology transfer. The Secretary is also to ensure that a research project under this subtitle is designed after taking into consideration the views of the panel.

Reports

Section 1537 requires the Secretary of Agriculture to submit a report to the Senate and House agriculture committees (1) within 180 days after the effective date of the subtitle describing the design of research projects established in accordance with sections 1535 and 1536; and (2) within 15 months after the effective date of the subtitle describing the results of the program carried out under section 1534; and (3) not later than April 1, 1987 and each April 1 thereafter describing the progress of projects conducted under this subtitle including a summary and analysis of data collected under such projects and recommendations based on such data for new basic or applied research.

Agreements

Section 1538 authorizes the Secretary of Agriculture to carry out the information study required by section 1534 and the research projects required by section 1535 through agreements with land-grant colleges or universities, other universities, nonprofit organizations, or Federal or State governmental entities, that have demonstrated appropriate expertise in agricultural research and technology transfer.

Dissemination of data

Section 1539 requires the Secretary of Agriculture to make available through the Extension Service and State cooperative extension services the information and research reports identified under section 1534, and the information and conclusions resulting from any research project conducted under section 1535, and otherwise take such steps as are necessary to ensure that such material is made available to the public.

Authorization for appropriations

Section 1540 authorizes the appropriation of such sums as may be necessary to carry out the subtitle and provides that such sums are to remain available until expended.

Effective date

Section 1541 establishes the effective date of the subtitle as October 1, 1985.

Subtitle C—Human Nutrition Research

Findings

Section 1551 declares the findings of Congress to the effect that nutrition and health considerations are important to U.S. agricultural policy; section 1405 of the 1977 Act designates the Department of Agricultural as the lead agency of the Federal Government for human nutrition research (except with respect to the biomedical aspects of human nutrition concerned with diagnosis or treatment of disease); section 1423 of the 1977 Act requires the Secretary of Agriculture to establish research into food and human nutrition as a separate and distinct mission of the Department of Agriculture; the Secretary has established a nutrition education program; and nutrition research continues to be of great importance to those involved in agricultural production.

Human nutrition research

Section 1552(a) requires the Secretary of Agricultrue to submit a comprehensive plan for implementing a national food and human nutrition research program, including recommendations relating to research directions, educational activities, and funding levels necessary to carry out such plan to the appropriate congressional committees within 1 year after the date of enactment of the bill.

Section 1552(b) requires the Secretary, within 1 year after submission of the plan required under section 1552(a) and each year thereafter, to submit to such committees an annual report on the human nutrition research activities conducted by the Secretary.

Dietary calcium

Section 1553(a) requires the Secretary of Agriculture to conduct an assessment of all existing research and literature available concerning dietary calcium and its importance as a nutrient. The assessment would summarize and evaluate all existing literature on dietary calcium. In carrying out the assessment, the Secretary is required to consult with all Federal agencies involved in dietary calcium research.

Section 1553(b) requires the Secretary to develop a protocol for a study to determine the importance of dietary calcium in human development and health promotion. The study would include, at a minimum, a comprehensive investigation of the role of calcium in bone health, maintenance of skeletal integrity, and regulation of hypertension. The study would be conducted under the supervision and coordination of the Secretary. In developing the protocol for such study, the Secretary is required to request such assistance from other government agencies and private sector organizations as the Secretary considers appropriate.

Section 1553(c) requires the Secretary, not later than 1 year after the date of enactment of the bill, to submit a report to the Senate and House agricultrue committees on the findings of the Secretary under sections 1553(a) and (b). The report would include a final report on the assessment of existing research and literature required under section 1553(a), a detailed protocol and plan for implementation of the study required under section 1553(b), and a budget estimate and timetable for the conduct and completion of the study.

Dietary and blood cholesterol

Section 1554(a) requires the Secretary of Agriculture to conduct an assessment of all existing scientific literature regarding the relationship, if any, between dietary cholesterol and blood cholesterol. The assessment would summarize and evaluate all existing literature on dietary and blood cholesterol. In conducting the assessment, the Secretary is required to consult with all Federal agencies that are involved in dietary and blood cholesterol research.

Section 1554(b) requires the Secretary to develop a protocol and feasibility assessment for a study on the relationship between dietary and blood cholesterol which would be conducted under the supervision and coordination of the Secretary. In developing a protocol and feasibility assessment for such study, the Secretary is required to request such assistance from other government agencies as the Secretary considers appropriate.

Section 1554(c) requires the Secretary, not later than 1 year after the date of enactment of the bill, to submit a report to the Senate and House agriculture committees on the findings of the Secretary under sections 1554(a) and (b). The report would include a final report on the assessment of existing research and literature required under section 1554(a), a detailed protocol and plan for implementation of the study required under section 1554(b), and a budget estimate and timetable for the conduct and completion of such study.

TITLE XVI—CONSERVATION

Subtitle A-Definitions

Section 1601(a) defines a number of terms used in subtitles A through D of Title XVI.

The term "agricultural commodity" means any agricultural commodity planted and produced in a State by annual tilling of the soil, including tilling by one trip planters, or sugarcane planted and produced in a State.

The term "conservation district" means any district or unit of State or local government formed under State or territorial law for the express purpose of developing and carrying out a local soil and water conservation program. Such State or local government district or unit may be referred to as a conservation district, soil or soil and water conservation district, resource conservation district, natural resource district, land conservation committee, or similar name.

The term "conservation payment" means a payment made by the Secretary to an owner or operator of a farm or ranch containing eligible eroison-prone land to reimburse the owner or operator for the cost of establishing vegetative cover on land placed in the conservation acreage reserve specified in subtitle D.

The term "converted wetland" means wetland that has been drained, dredged, filled, leveled, or otherwise manipulated by an activity that results in impairing or reducing the flow, circulation, or reach of water for the purpose of, or that has the effect of, making the land suitable for the production of an agricultural commodity if (1) the production of such commodity would not have been possible if such action had not been taken and (2) before such action was taken, the land was wetland and was not highly erodible land. Wetland is not considered to be converted wetland if production of an agricultural commodity on such land during a crop year is possible as a result of a natural condition, such as drought, and is not assisted by an action of the producer that destroys natural wetland characteristics.

The term "eligible erosion-prone land" means erosion-prone land that has been devoted, or has been considered to be devoted, to the production of an agricultural commodity during at least two of the three consecutive crop years ending prior to January 1, 1986.

The term "erosion-prone land" means land that (1) is classified by the Soil Conservation Service of the Department of Agriculture as class IVe, VI, VII, or VIII land under the land capability classification system in effect on the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985, or (2) has, or if used to produce an agricultural commodity would have, an excessive rate of erosion, as determined by the Secretary, based on application of the appropriate factors of the universal soil loss equation and the wind erosion equation used by the Secretary, including climate, soil erodibility, and field slope.

The term "field" means the term as defined in section 718.2 (b)(9) of Title 7 of the Code of Federal Regulation (as of January 1, 1985), except that any highly erodible land on which an agricultural commodity is produced after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985 and which is not exempt under section 1612 shall be considered as part of the field in which such land was included on such date, unless the Secretary permits modification of the boundaries of the field to carry out the highly erodible land conservation program.

The tem "highly erodible land" means land classified by the Soil Conservation Service as class IIIe, IVe, VI, VII, or VIII land under the land capability classification system in effect on the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

The term "hydric soil" means soil that, in its undrained condition, is saturated, flooded, or ponded long enough during a growing season to develop an anaerobic condition that supports the growth and regeneration of hydrophytic vegetation.

The term "hydrophytic vegetation" is defined as a plant growing in water or in a substrate that is at least periodically deficient in oxygen during a growing season as a result of excessive water content.

The term "in-kind commodities" means commodities that are normally produced on land that is the subject of an agreement entered into under the conservation acreage reserve program.

The term "operator" means the operator of erosion-prone land.

The term "owner" means the owner of erosion-prone land.

The term "rental payment" means a payment made by the Secretary to an owner or operator of a farm or ranch containing eligible erosion-prone land to compensate the owner or operator for retiring such land from crop production and placing such land in the conservation acreage reserve.

The term "Secretary" means the Secretary of Agriculture.

The term "shelterbelt" means a vegetable barrier with a linear configuration composed of trees, shrubs, and other approved perennial vegetation.

The term "State" means each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, or the Trust Territory of the Pacific Islands.

The term "vegetative cover" means (1) perennial grasses or legumes with an expected life span of 5 more years, or (2) trees.

The term "wetland" means an area (including a swamp, marsh, bog, prairie pothole, or similar area) having a predominance of hydric soils that are inundated or saturated by surface or ground water at a frequency and duration sufficient to support, and that under normal circumstances supports, the growth and regeneration of hydrophytic vegetation.

Subsection (b) provides that the land capability class for a field shall be that class determined by the Secretary to be the predominant class under regulations issued by the Secretary.

Subsection (c) requires that the Secretary develop criteria for the identification of hydric soils and hydrophytic vegetation and lists of such soils and vegetation.

Subtitle B—Highly Erodible Land Conservation

Subtitle B of Title XVI creates new authority that can be used by the Secretary in combatting the erosion of highly erodible land.

Program ineligibility

Section 1611 provides that, except as provided in section 1612, following the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985, any person who produces as agricultural commodity in any crop year on a field in which highly erodible land is the predominate class shall be ineligible for—

(a) as to any commodity produced during the crop year by such person—

(1) any price support or payment made available under the Agricultural Act of 1949, the Commodity Credit Corporation Charter Act, or any other Act;

(2) a farm storage facility loan made under section 4(h) of the Commodity Credit Corporation Charter Act;

(3) crop insurance obtained under the Federal Crop Insurance Act;

(4) a disaster payment made under the Agricultural Act of 1949;

(5) a loan made, insured, or guaranteed under the Consolidated Farm and Rural Development Act or any other provision of law administered by the Farmers Home Administration, if the Secretary determines that the proceeds of such loan will be used for a purpose that will contribute to excessive erosion of highly erodible land; or

(b) a payment made under section 4 or 5 of the Commodity Credit Corporation Charter Act during such crop year for the storage of an agricultural commodity acquired by the Commodity Credit Corporation.

Exemptions

The ineligibility provisions in section 1611 will not apply to—

(a) any person who produces an agricultural commodity in any crop year on a field in which highly erodible land is the predominant class if all the commodities produced by that person during the crop year were—

(1) produced on land that was cultivated to produce any of the 1981 through 1985 crops of such commodities;

(2) planted before the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985;

(3) planted during any crop year beginning before the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985; or

(4) produced—

(A) in the case of any area within a conservation district, under a conservation system that has been approved by a conservation district after the district has determined that the conservation system used is in conformity with technical standards set forth in the Soil Conservation Service technical guide for such district; or

(B) in the case of an area not within a conservation district, under a conservation system determined by the Secretary to be adequate for the production of such agricultural commodity on any highly erodible land subject to this Act;

(b) any loan described in section 1611 made before the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985; or

(c) any person who produces an agricultural commodity on highly erodible land during any crop year if such land was planted in reliance on a determination made by the Soil Conservation Service that such land was not highly erodible land, except that this paragraph shall not apply to any agricultural commodity that was planted on any land after the Soil Conservation Service determines that such land is highly erodible land.

Conservation systems on exempted highly erodible land

Section 1613(a) specifies that the Secretary must require, as a condition of eligibility for commodity loans, purchases, or payments authorized for any agricultural commodity under any program carried out by the Secretary or the Commodity Credit Corporation, that any person who produces an agricultural commodity on highly erodible land use a conservation system appropriate for such land, as determined by the conservation district in which the land lies, or, if the land is not within a conservation district, by the Secretary.

Section 1613(b) provides that the Secretary must apply the requirement contained in section 1613(a) to land beginning with the later of—

(a) the 1988 crop year, or

(b) the date 2 years after the date the land is mapped by the Soil Conservation Service for purposes of classifying such land under the land capability classification system.

Soil surveys

Section 1614(a) requires that, as soon as is practicable, the Secretary must complete soil surveys on private lands that do not have a soil survey suitable for use in determining the land capability class for purposes of highly erodible land conservation.

Section 1614(b) requires that the Secretary, in conducting the soil surveys, concentrate on localities where significant amounts of highly erodible land are being converted to the production of agricultural commodities.

Administration

Section 1615(a) requires that the Secretary use the services of the local, county, and State agricultural stabilization and conservation committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act to administer the provisions of the highly erodible land conservation program.

Section 1615(b) requires that the Secretary establish an appeal procedure to allow producers of agricultural commodities on land classified as class IIIe, IV, VI, VII, or VIII land to seek review of such classification and to allow persons adversely affected by a determination made under the highly erodible land conservation program to seek review of that determination.

Section 1615(c) provides that the authority contained in sections 1611 through 1616 of the Agriculture, Food, Trade, and Conservation Act of 1985 augments the existing authority of the Secretary and the Commodity Credit Corporation, rather than replacing any existing authority.

Regulations

Section 1616 requires that the Secretary issue any regulations necessary to carry out the highly erodible land conservation program. These regulations must be issued not later than 180 days after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985 and must include provisions that define the term "person", govern benefit ineligibility determinations under the highly erodible land conservation program, and protect the interests of tenants and sharecroppers.

Subtitle C—Wetland Conservation

Program ineligibility

Section 1621 provides that, except as provided in section 1622, following the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985, any person who produces an agricultural commodity in any crop year on converted wetland shall be ineligible, as to any commodity produced during that crop year by that person, for—

(a) as to any commodity produced during that crop year by that person—

(1) any price support or payment made available under the Agricultural Act of 1949, the Commodity Credit Corporation Charter Act, or any other Act;

(2) a farm storage facility loan made under section 4(h) of the Commodity Credit Corporation Charter Act;

(3) crop insurance under the Federal Crop Insurance Act;

(4) a disaster payment made under the Agricultural Act of 1949; or

(5) a loan made, insured, or guaranteed under the Consolidated Farm and Rural Development Act or any other provision of law administered by the Farmers Home Administration, if the Secretary determines that the proceeds of such loan will be used for a purpose that will contribute to the conversion of wetland; or

(b) a payment made under section 4 or 5 of the Commodity Credit Corporation Charter Act during such crop year for the storage of an agricultural commodity acquired by the Commodity Credit Corporation.

Exemptions

Section 1622(a) provides that section 1621 shall not apply to—

(a) any person who, during any crop year, produces an agricultural commodity on converted wetland, if the conversion of the wetland was commenced before the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985;

(b) any person who produces an agricultural commodity on—

(1) land that has been converted to artificial wetland, in an area that was not wetland, for a purpose such as stockwater, fish production, irrigation (including subsurface irrigation), a settling basin, cooling, rice growing, or flood control; or

(2) wetland created as a result of irrigation or an irrigation system; or

(c) any loan made before the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

Subsection 1622(b) permits the Secretary to exempt a person from the application of section 1621 if the effect of the person's action on the wetland—considered individually and in connection with similar actions authorized by the Secretary in the area—is minimal.

Administration

Section 1623(a) requires the Secretary to establish an appeal procedure under which producers of agricultural commodities on land determined to be converted wetland can obtain review of that determination and persons adversely affected by any other determination made under the wetland conservation program can also obtain review of the determination.

Section 1623(b) requires the Secretary to consult with the Secretary of Interior in the administration of the wetland conservation program, including the identification of wetland, the determination of exemptions, and the issuance of regulations.

Regulations

Section 1624 requires that the Secretary issue any regulations necessary to carry out the wetland conservation program. These regulations must be issued not later than 180 days after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985, and must include provisions that define the term "person", govern benefit ineligibility determinations under the wetland conservation program, and protect the interests of tenants and sharecroppers.

Subtitle D—Conservation Acreage Reserve

Conservation acreage reserve

Section 1631(a) requires that the Secretary establish and carry out a conservation acreage reserve program during the 1986 through 1990 crop years to assist owners and operators of farms and ranches containing eligible erosion-prone land.

Section 1631(b) provides that the Secretary must assist owners and operators of eligible erosion-prone land in making changes in their cropping practices and land use systems to convert such land normally devoted to the production of agricultural commodities to less intensive uses and to place such land in the conservation acreage reserve.

Section 1631(c) requires that the Secretary enter into contracts with owners and operators of farms and ranches containing eligbile erosion-prone land to place in the conservation acreage reserve—

(a) not less than 10 million acres during the 1986 crop year,

(b) not less than 20 million acres during the 1986 and 1987 crop years, and

(c) not less than 25, nor more than 30 million acres during the 1986 through 1989 crop years.

Section 1631(d) sets the length of the conservation acreage reserve contracts at not less than 7 and not more than 15 years.

Duties of owners and operators

Section 1632(a) specifies that conservation acreage reserve contracts must require that the owner or operator—

(a) implement a plan approved by a conservation district (or by the Secretary if the area is not within a conservation district) for converting eligible erosion-prone land normally devoted to the production of an agricultural commodity to a less intensive use,

(b) place eligible erosion-prone land subject to the contract in the conservation acreage reserve,

(c) not use such land for agricultural purposes, except as permitted by the Secretary,

(d) establish approved vegetative cover on such land, and

(e) upon violation of the contract—

(1) refund payments received, with interest, and forfeit all rights to receive future rental payments if the Secretary determines that the violation warrants termination of the contract, and

(2) refund or accept adjustments to the rental and conservation payments as deemed appropriate by the Secretary if the violation does not warrant termination of the contract,

(f) upon transfer of the owner or operator's interest, in the land, refund and forfeit payments received and to be received under the contract unless the transferee agrees with the Secretary to assume the contract or to enter a new contract with the contract or to enter into a new contract with the Secretary in accordance with Section 1635(a),

(g) not made any commercial use of the forage or trees on land subject to the contract, unless such use is expressly permitted by the contract or section 1632(e),

(h) not adopt any practice specified in the contract as a practice that would tend to defeat the purposes of the conservation acreage reserve program, and

(i) comply with any additional contract provisions that the Secretary determines are desirable to carry out this program.

Section 1632(b) provides that the plan to be implemented under the conservation acreage reserve contracts must set forth the conservation measures and practices to be carried out by the owner or operator during the term of the contract and any commercial use that is to be permitted on the land during such term.

Section 1632(c) provides that, to the extent practicable in areas prone to wind erosion, at least ten percent of the total acreage placed under conservation acreage reserve contracts must be devoted to shelterbelts. An owner or operator may not, however, devote more acreage to shelterbelts than is consistent with effective wind erosion control practices in the area, as determined by the Secretary.

Section 1632(d) requires that a portion of conservation acreage reserve contracts be entered into with owners and operators who agree to plant trees as the vegetative cover.

Section 1632(e) permits the Secretary to designate a State or part of a State—but only for 1 year at a time—as an area in which owners or operators who are parties to conservation acreage reserve contracts may, on an individual basis, be permitted to conduct haying or grazing, subject to terms prescribed by the Secretary, on land subject to the conservation acreage reserve contract. However, haying and grazing may only be permitted during the six principal nongrowing months of the year.

Duties of the Secretary

Section 1633 provides that the Secretary shall, with respect to a conservation acreage reserve contract entered into with an owner or operator under section 1631, (1) share the cost of conservation measures and practices, where the Secretary determines that cost sharing is appropriate and in the public interest, (2) make a rental payment in an amount to compensate for conversion of the land to a less intensive use and for retirement of any cropland base and allotment history that the owner or operator agrees to retire permanently, and (3) provide conservation technical assistance to the owner or operator.

Payments

Section 1634(a) provides that among the factors that the Secretary may consider in determining the amount of rental payments to be paid to owners and operators is the amount necessary to encourage participation in the conservation acreage reserve program.

Section 1634(b) provides that the amounts payable to owners or operators as rental payments under conservation acreage reserve contracts may be determined through the submission of bids, or by such other means as the Secretary determines to be appropriate.

Section 1634(c) requires that the Secretary, in determining the acceptability of contract offers, give priority to offers that will result in the lowest cost to the Government, considering all relevant factors, including the rate of compensation necessary to encourage participation in the conservation acreage reserve program, the erosion on and productivity of the land subject to the contract, the number of acres of eligible erosion-prone land removed from production each year, the amount of funds available to carry out the program, the extent to which land eligible for the program may contribute to off-site damages, and the potential benefits to wildlife. The Secretary may utilize different criteria in different States and regions in determining the acceptability of contract offers.

Section 1634(d) provides that payments with respect to conservation acreage reserve contracts may be made in cash or in in-kind commodities in amounts agreed upon and specified in the contract.

> (a) In-kind payments of a commodity acquired by the Commodity Credit Corporation are to be made only if the Secretary finds that such payment will not displace, to a significant degree, the usual marketings of the commodity.

(b) When payment is made with in-kind commodities, such payment is to be made by the Commodity Credit Corporation—

(1) by delivery of the commodity at a warehouse or similar facility located in the same county as the land subject to the contract or at another mutually agreed upon location,

(2) by the transfer of negotiable warehouse receipts, or

(3) by any other method—including the sale of the commodity in commercial markets—determined by the Secretary to be appropriate to enable the owner or operator to receive possession of the commodity efficiently and expeditiously.

(c) If a commodity is not readily available to make full or partial payment to an owner or operator, the Secretary may substitute full or partial payment in cash for payment in-kind.

Section 1634(e) provides that the Secretary and an owner or operator may agree that conservation and/or rental payments will be made either upon a determination of compliance with the terms and conditions of the contract or in advance of a determination of compliance.

Section 1634(f) provides that if an owner or operator who is entitled to a payment under a conservation acreage reserve contract is unable to receive the payment because of death, incompetency, or other reason, or is succeeded by another person who renders or completes the required performance, the Secretary must make payment for the performance in the manner the Secretary determines is fair and equitable.

Section 1634(g) provides that the total amount of rental payments, including payment of in-kind commodities, made to an owner or operator under the conservation acreage reserve program shall not exceed $50,000 for any fiscal year. These rental payments are in addition to, and do not affect the total amount of payments that the owner or operator is otherwise eligible to receive under the Agriculture, Food, Trade, and Conservation Act of 1985 or the Agricultural Act of 1949.

Contracts

Section 1635(a) provides that if the owner or operator of land subject to a conservation acreage contract transfers the ownership or right to occupy such land during the term of the contract, the new owner or operator may continue the contract under the same terms and conditions, enter into a new contract, or elect not to participate in the conservation acreage reserve program.

Section 1635(b) provides that the Secretary may modify a conservation acreage reserve contract if the owner or operator agrees to such modification and the Secretary determines that such modification is desirable. Subject to this limitation, the Secretary may modify or waive terms or conditions of a contract to permit land subject to a contract to be devoted to the production of an agricultural commodity during a crop year, subject to such conditions as the Secretary determines are appropriate.

Section 1635(c) provides that, except as provided in section 1632(a)(5), the Secretary may terminate a conservation acreage reserve contract if the owner or operator agrees to such termination and the Secretary determines that such termination is in the public interest. The Secretary is required, before taking any action to terminate all conservation acreage reserve contracts, to provide written notice of this action to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

Administration

Section 1636(a) requires that, for the fiscal years 1986 and 1987, the Secretary use the facilities, services, authorities, and funds of the Commodity Credit Corporation to carry out the conservation acreage reserve program.

For the 1988 and subsequent fiscal years, the Secretary is authorized to use the facilities, services, authorities, and funds of the Commodity Credit Corporation to carry out the program, except that the Secretary may not use Corporation funds unless the Corporation has first received funds to cover such expenditures from appropriations made to carry out the program.

Section 1636(b) provides that, in carrying out this program, the Secretary may utilize the services of the Soil Conservation Service and the Forest Service, the Fish and Wildlife Service, State forestry agencies, State fish and game agencies, land-grant colleges, local, county, and State agricultural stabilization and conservation committees, soil and water conservation districts, and other appropriate agencies.

Section 1636(c) provides that, in carrying out this program at the State and county levels, the Secretary must consult, to the extent practicable, with the Fish and Wildlife Service, State forestry agencies, State fish and game agencies, land-grant colleges, soil conservation districts, and other appropriate agencies and groups.

Section 1636(d) provides that, in carrying out this program, the Secretary shall provide adequate safeguards to protect the interests of tennants and sharecroppers, including provision for sharing, on a fair and equitable basis, in the paynments made under this program.

Section 1636(e) provides that, for purposes of any other program administered by the Secretary, any cropland base or allotment history for acreage diverted from production under a conservation acreage contract shall be retired. This provision does not, however, prohibit an owner or operator from establishing a cropland base or allotment history on such acreage under law applicable on the expiration of such contract.

Section 1636(f) provides that the authority in this subtitle is in addition to, and not in place of, other authorities available to the Secretary and the Commodity Credit Corporation.

Regulations

Section 1637 provides that the Secretary must issue any regulations necessary to carry out this program not later than 180 days after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

Authorization for appropriations

Section 1638 authorizes the appropriation, without fiscal year limitation, of such sums as may be necessary to carry out this program.

Subtitle E—Other Conservation Provisions

Conservation easements

Section 1641(a) amends the Consolidated Farm and Rural Development Act by adding a new section 349.

Section 349(a) defines a number of terms for purposes of section 349. The term "governmental entity" means any agency of the United States, a State, or a unit of local government of a State. The term "highly erodible land" means such term as is defined in section 1601(a)(8) of the Agriculture, Food, Trade, and Conservation Act of 1985. The term "wetland" means such term as is defined in section 1601(a)(19) of that Act. The term "wildlife" means fish or wildlife as defined in section 2(a) of the Lacey Act Amendments of 1981.

Section 349(b) provides that, subject to subsection (c), the Secretary may acquire and retain an easement in real property for a term of not less than 50 years for conservation, recreational, and wildlife purposes.

Section 349(c) provides that an easement described in section 349(b) may be acquired or retained with respect to real property that—

(a) is wetland or highly erodible land,

(b) is determined by the Secretary to be suitable for the purpose involved,

(c)(1) secures a loan made under any law administered by the Farmers Home Administration and held by the Secretary, the borrower of which is unable to repay, as determined by the Secretary, or

(2) is administered under the Consolidated Farm and Rural Development Act, and

(d) was row cropped in each year of the three year period ending on the date of the enactment of Agriculture, Food, Trade, and Conservation Act of 1985.

Section 349(d) provides that the terms and conditions specified in each easements authorized under section 349 must—

(a) specify the purposes for which the real property may be used,

(b) identify the conservation measures to be taken, and the recreational and wildlife uses to be allowed, on the real property, and

(c) require the owner to allow the Secretary, and any person or governmental entity designated by the Secretary, to have access to the real property for the purpose of monitoring compliance with the easement.

Section 349(e) provides that any easement acquired by the Secretary must be purchased from the borrower involved by canceling that portion of the aggregate amount of the outstanding loans of the borrower held by the Secretary under such laws administered by the Farmers Home Administration that bears the same ratio to the aggregate amount of the outstanding loans of such borrower held by the Secretary under all such laws as the number of acres of the real property of the borrower that are subject to the easement bears to the aggregate number of acres securing the loans.

Section 349(f) provides that, if the Secretary elects to use the authority provided by section 349, the Secretary must consult with the Director of the Fish and Wildlife Service for purposes of—

(a) selecting property in which the Secretary may acquire easements under this section,

(b) formulating the terms and conditions of the easements, and

(c) enforcing the easements.

Section 349(g) provides that the Secretary, and any person or governmental entity designated by the Secretary, may enforce an easement acquired by the Secretary under section 349.

Section 349(h) provides that section 349 shall not apply with respect to the cancellation of any part of any loan that was made after the date of the enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

Section 1641(b) amends section 335(c) of the Consolidated Farm and Rural Development Act to provide that, when the Secretary conveys real property in accordance with that section, the conveyance does not include easements acquired under section 349 of that Act. In addition, section 1641(b) amends section 1001 of the Agricultural Act of 1970 to provide that the Secretary is authorized to purchase easements for a term of not less than 50 years—rather than to purchase perpetual easements, as was previously authorized—to promote the purpose of the Rural Environmental Conservation Program.

Section 1641(c) provides that any part of a loan canceled under section 349 of the Consolidated Farm and Rural Development Act shall not be included in income, and shall not have any effect on any tax attributed to any taxpayer or property, for purposes of the Internal Revenue Code of 1954.

Dry land farming

Section 1642 amends section 7(a) of the Soil Conservation and Domestic Allotment Act to add an additional purpose to that Act. The addition specifies that the Act should promote energy and water conservation through dry land farming.

Agricultural conservation program

Section 1643 amends section 8(d) of the Soil Conservation and Domestic Allotment Act to provide that, in order to be eligible to receive a payment or grant of aid made under the agricultural conservation program authorized by sections 7 through 15, 16(a), 16(f), and 17 of that Act and sections 1001 through 1008 and 1010 of the Agricultural Act of 1970, a producer must use the payment or grant in accordance with a conservation plan approved by the soil and water conservation district or districts in which the land described in the plan is located, or by the Secretary, if such district does not exist or does not act on the plan. To receive approval, a plan must ensure that soil loss levels on lands subject to the plan do not exceed soil loss tolerance levels determined by the Secretary. In addition, the Secretary is required to provide technical assistance to producers to assist them in preparing the plans.

Soil and water resources conservation

Section 1644(a) amends section 5(d) of the Soil and Water Resources Conservation Act to provide that the appraisals of soil, water, and related resources athorized by section 5 shall be completed not later than December 31, 1979, December 31, 1984, December 31, 1994, and December 31, 2004, rather than by December 31, 1979, and by December 31, 1984. In addition, with respect to appraisals due to be completed after December 31, 1984, the Secretary is authorized to supplement the preceding appraisal in lieu of preparing a new appraisal. Also, the Secretary may make additional interim appraisals as the Secretary considers appropriate.

Section 1644(b) amends section 6(a) of the Soil and Water Resources Conservation Act of 1977 to include the "priorities" of Federal, State and local governments among the factors to be taken in consideration in the development of the national soil and water conservation program authorized by section 6.

Section 1644(c) amends section 6(b) of the Soil and Water Resources Conservation Act of 1977 to require that the national soil and water conservation program plan required by section 6 to be completed not later than December 31, 1979, December 31, 1984, December 31, 1994, and December 31, 2004, rather than completed by December 31, 1979, and updated on December 31, 1984, as previously required. In addition, with respect to program plans due to be completed after December 31, 1984, the Secretary may supplement the preceding program plan in lieu of preparing a new plan.

Section 1644(d) amends section 7(a) of the Soil and Water Resources Conservation Act to require that the appraisal of soil, water, and related resources, and the national soil and water conservation program plans, together with a statement of policy regarding the soil and water conservation activities of the Department of Agriculture, be transmitted by the President to the President of the Senate and the Speaker of the House on the first day Congress convenes in the years 1980, 1984, 1994, and 2004, rather than in the years 1980 and 1984, respectively.

Section 1664(e) amends section 10 of the Soil and Water Resources Conservation Act to provide that the provisions of that Act will terminate on December 31, 2005, rather than on December 31, 1985, as provided previously.

Soil Conservation Service

Section 1645(a) expresses various findings of Congress with respect to the vital role played by the Soil Conservation Service in the effective management of soil and water resources and the critical importance of such activities to the well-being of the United States.

Section 1645(b) expresses the sense of Congress that the vital work of the Soil Conservation Service be vigorously pursued to address the serious soil and water problems still confronting the United States, and that adequate support and funding be continued for the Soil Conservation Service and its necessary programs.

TITLE XVII—AGRICULTURAL CREDIT

Eligibility for real estate and operating loans

Section 1701 amends section 302 of the Consolidated Farm and Rural Development Act to provide that the Secretary of Agriculture may not restrict eligibility for (1) direct or insured real estate loans made for the purposes specified in section 303 of such Act or (2) direct or insured farm operating loans made for the purposes specified in section 312 of such Act solely to those borrowers who had such loans outstanding on the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

Water, waste facility, and community facility loans and grants

Section 1702(a) amends section 306(a) of the Consolidated Farm and Rural Development Act to provide that, in the approval and administration of a loan made or insured for the installation or improvement of a water or waste disposal facility, the Secretary must consider fully any recommendation made by the loan applicant or borrower concerning the technical design and choice of materials to be used. If the Secretary determines that a design or materials, other than those that were recommmended by the applicant or borrower, should be used, the Secretary must give the applicant or borrower a comprehensive justification for the Secretary's determination.

Section 1702(b) amends section 307(a)(3)(A) of the Act to broaden the eligibility for water and waste disposal facility loans, made at interest rates of no more than 5 percent, to communities in which the median family income of those to be served by the facility is below 80 percent of the statewide nonmetropolitan median household income. Under current law, eligibility is restricted to communities in which the median family income is below the Federal poverty line.

Section 1702(b) also provides for an interest rate cap of 7 percent for water and waste disposal facility loans made to communities in which the median family income of those to be served by the facility is equal to or greater than 80 percent of the statewide nonmetropolitan median household income, but does not exceed 100 percent of such income.

Section 1702(c) provides that the Secretary must study the practicality and cost effectiveness of making loans and grants for the construction of water and waste disposal facilities in rural areas at individual locations, rather than central or community locations, and report his findings to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate not later than 120 days after the date of enactment of the Agriculture, Food, Trade and Conservation Act of 1985.

Sale of notes and security

Section 1703(a) amends section 309(d) of the Consolidted Farm and Rural Development Act to provide that notes in the Agricultural Credit Insurance Fund may be sold on a nonrecourse basis, if such notes have been held in the fund for at least 4 years. The amendment also provides that the Secretary and any subsequent purchaser of such notes sold by the Secretary on a nonrecourse basis will be relieved of any responsibilities that might have been imposed, had the makers of the notes remained indebted to the Secretary.

Section 1703(b) amends section 309A(3) of the Act to provide that notes in the Rural Development Insurance Fund may be sold on a nonrecourse basis and that the Secretary and any subsequent purchaser of such notes sold by the Secretary on a nonrecourse basis will be relieved of any responsibilities that might have been imposed, had the makers of the notes remained indebted to the Secretary.

Rural industrialization lending

Section 1704(a) amends section 310B of the Consolidated Farm and Rural Development Act to restrict activity in rural industrialization lending to the guaranty of loans to finance the production and distribution of ethanol in rural areas.

Section 1704(b) also makes a number of conforming changes to other sections of the Act to reflect the change in rural industrialization lending made by section 1704(a).

Farm recordkeeping training

Section 1705 amends section 312(a) of the Consolidated Farm and Rural Development Act to authorize limited resource borrowers holding farm ownership loans made or insured under section 310D of the Act to use the proceeds from a Farmers Home Administration farm operating loan to pay for training in the maintenance of records of farming and ranching operations.

Emergency loans

Section 1706(a) amends subsection (b) of section 321 of the Consolidated Farm and Rural Development Act to repeal the Secretary's authority to make or insure emergency loans to loan applicants who are able to obtain credit elsewhere. The section also provides that persons suffering crop losses, which could have been insured against under the Federal Crop Insurance Act, may not use such losses as a basis of eligibility for an emergency loan.

Section 1706(b) amends section 324 of the Act to limit the size of each emergency loan made or insured under the Act to the actual loss caused by the disaster or $200,000, whichever is less, for each disaster. The section also limits to $400,000 the amount of an individual borrower's total principal indebtedness which may be outstanding at any time under the emergency loan program.

Section 1706(c) makes a conforming amendment to section 324(b) of the Act.

Section 1706(d) repeals the Secretary's authority to make subsequent emergency loans to eligible borrowers for annual operating purposes for up to 2 years following the year in which the initial emergency loan was made to the borrower.

Section 1706(e) provides that the limitation on eligibility for emergency loans (contained in section 1706(a)) will not apply to those persons whose eligibility for such emergency loans is based on damage to an annual crop planted before the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

Settlement of claims

Section 1707 amends subsection (d) of the second paragraph of section 331 of the Consolidated Farm & Rural Development Act to broaden and streamline the Secretary's authority to compromise, reduce, or charge-off claims, and adjust, modify, subordinate, or release the terms of security instruments, leases, contracts, and agreements entered into or administered by the Farmers Home Administration under any of its programs, as circumstance may require, to carry out the Consolidated Farm & Rural Development Act. The section also provides that the Secretary may release borrowers or others obligated on a debt incurred under the Act from personal liability, with or without the payment of any consideration, at the time of the adjustment, reduction, or charge-off of any claim.

The section retains the restriction in current law that no compromise, adjustment, reduction, or charge-off of any claim may be made or carried out—

(a) on terms more favorable than those recommended by the Farmers Home Administration county loan committee; or

(b) after the claim has been referred to the Attorney General for collection; unless the Attorney General approves.

Transfer of loan accounts

Section 1708 adds a new section 331C to the Consolidated Farm and Rural Development Act to require that the Secretary permit a borrower of a loan made or insured under that Act to transfer, on a one-time basis and with the approval of the appropriate Farmers Home Administration State Director, the borrower's Farmers Home Administration loan accounts to a Farmers Home Administration county office in an adjacent county.

Oil and gas royalties

Section 1709(a) adds a new section 331D to the Consolidated Farm and Rural Development Act to require that the Secretary permit a borrower of a loan made or insured under that Act to make prospective payments on the loan with the proceeds from—

(a) the leasing of oil, gas, or other mineral rights to real property used to secure the loan, or

(b) the sale of oil, gas, or other minerals removed from any real property used to secure the loan, if—

(1) the value of the rights to the oil, gas or other minerals has not been used to secure the loan, and

(2) the security for the loan is otherwise adequate.

The new section does not apply to borrowers of loans with respect to which a liquidation or foreclosure proceeding is pending on the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

Section 1709(b) amends section 204 of the Emergency Agricultural Credit Adjustment Act of 1978 to require that the Secretary permit a borrower of a loan made or insured under such Act to make prospective payments on the loan from the proceeds of the lease or sale or mineral rights in the same manner as was previously set forth in the explanation of section 1709(a).

Processing of loan applications

Section 1710 adds new section 333A to the Consolidated Farm and Rural Development Act to provide that—

(a) the Secretary must approve or disapprove an application for a loan or loan guarantee made under the Act, and notify the applicant of the Secretary's action, not later than 90 days after the receipt of a complete application;

(b) if an application for a loan or loan guarantee made under the Act is incomplete, the Secretary must inform the applicant of the reasons such application is incomplete not later than 20 days after receipt of the application;

(c) if an application for a loan or loan guarantee made under the Act is disapproved by the Secretary, the Secretary must state the reasons for the disapproval in the notice of the Secretary's action that must be supplied to the applicant;

(d) if an application for an insured loan is approved, the Secretary must provide the loan proceeds to the applicant not later than 15 days after the application is approved (or not later than 15 days after the Secretary receives sufficient funds for such purpose), unless the loan applicant agrees to a longer period;

(e) in carrying out the approved lender program established by exhibit A to subpart B of part 1980 of title 7, Code of Federal Regulations, the Secretary must ensure that each request made by a lending institution for designation as an approved lender under the program is reviewed, and a decision made on the application for designation, not later than 15 days after a complete application is received.

These provisions will be effective for all applications received by the Secretary after the date of enactment of the Agriculture, Food, Trade and Conservation Act of 1985.

New section 333A also provides that, as soon as is practicable after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985, the Secretary must take the necessary steps to make personnel and other departmental resources available to the Farmers Home Administration as are sufficient to enable the Farmers Home Administration to expeditiously process loan applications submitted by farmers and ranchers. In carrying out this provision, the Secretary may use any authority of law provided to the Secretary, including the Agricultural Credit Insurance Fund and the employment procedures used in connection with the emergency loan program.

Appeals

Section 1711(a) adds a new section 333B to the Consolidated Farm and Rural Development Act. The new section provides that the Secretary must—

(a) give an applicant or borrower of a loan, or applicant for or recipient of a loan guarantee, under the Consolidated Farm and Rural Development Act who has been directly and adversely affected by a decision of the Secretary made under such Act (hereafter referred to as the "appellant") written notice of the decision, an opportunity for an informal meeting, and an opportunity for a hearing with respect to such decision and must issue regulations spelling out these procedures;

(b) not later than 10 days after an adverse decision, provide the appellant with written notice of the decision, an opportunity for an informal meeting, an opportunity for a hearing, and the procedures to appeal the adverse decision; and

(c) upon the request of the appellant and in order to resolve differences and minimize formal appeals, the Secretary must hold an informal meeting with the appellant prior to the initiation of any formal appeal of the Secretary's decision.

New section 333B also provides that an appellant shall have the right to have—

(a) access to the appellant's personal file, including a reasonable opportunity to inspect and reproduce the file at a Farmers Home Administration office located in the area of the appellant; and

(b) representation by an attorney or nonattorney during the inspection and reproduction of files and at any informal meeting or hearing.

The Secretary may charge any appellant for reasonable costs incurred in reproducing files.

Section 1711(b) requires that the Secretary conduct a study of the administrative appeals procedures used in the farm loan programs of the Farmers Home Administration. In conducting the study, the Secretary must examine—

(a) The number and type of appeals initiated by loan applicants and borrowers;

(b) the extent to which initial administrative actions are reversed on appeal;

(c) the reasons that administrative actions are reversed, modified, or sustained on appeal;

(d) the number and disposition of appeals in which the loan applicant or borrower is represented by legal counsel;

(e) the quantity of time required to complete action on appeals and the reasons for delays;

(f) the feasibility of the use of administrative law judges in the appeals process; and

(g) the desirability of electing members of the Farmers Home Administration county committees.

The Secretary must submit a report describing the results of this study to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate not later than September 1, 1986.

Disposition and leasing of farmland

Section 1712(a) amends section 335 of the Consolidated Farm and Rural Development Act by adding a new subsection (e). The new subsection specifies additional procedures for the disposition and leasing of farmland, as follows:

(a) To the extent practicable, the Secretary must sell or lease farmland administered by the Farmers Home Administration in the following order of priority:

(1) Sale of farmland to operators (as of the point in time immediately before the sale) of not larger than family-size farms.

(2) Lease of farmland to operators (as of the point in time immediately before such lease is entered into) of not larger than family-size farms.

(b) The Secretary must consider granting leases with options to purchase farmland administered by the Farmers Home Administration to operators of not larger than family-size farms. The Secretary must also issue regulations providing for the leasing, or leasing with the option to purchase, of such farmland on a fair and equitable basis. In the leasing of such land, the Secretary must give special consideration to a previous owner or operator of the land, if the owner or operator has the financial resources, and farm management skills and experience, that the Secretary determines are sufficient to assure a reasonable prospect of success in the proposed farming operations.

(c) The Secretary may sell farmland administered by the Farmers Home Administration through an installment sale or a similar devise containing such terms as the Secretary determines are necessary to protect the Federal Government's investment in such land. Notwithstanding the foregoing, however, the Secretary must offer to sell such land to operators of not larger than family-size farms at a price that reflects the average annual income that can normally be anticipated to be generated from farming the land. The Secretary may subsequently sell any installment contract or other device entered into for the purpose of selling farmland administered by the Farmers Home Administration.

(d) If two or more qualified operators of not larger than family-size farms desire to purchase, or lease with an option to purchase, the same parcel of land; the Farmers Home Administration county committee must select, by majority vote, the operator who will be allowed to purchase or lease the land. The county committee must base its decision on regulations dealing with this topic that are to be issued by the Secretary.

(e) If the Secretary determines that certain tracts of farmland administered by the Farmers Home Administration are not suitable for sale or lease to an operator of not larger than a family-size farm (because the tracts are larger than necessary for family-size farms), the Secretary must divide the farmland into smaller tracts suitable for such operators and dispose of the land using the new procedures specified in section 1712(a) of the Agriculture, Food, Trade and Conservation Act of 1985.

(f) If the Farmers Home Administration holds farmland that is suitable for sale or lease to qualified operators of not larger than family-size farms, the Secretary must—

(1) publish an announcement of the availability of the farmland in at least one newspaper that is widely circulated in the county in which the farmland is located, and

(2) post an announcement of the availability of the farmland in a prominent place in the local Farmers Home Ad-

ministration office serving the county in which the farmland is located.

(g) In the case of farmland administered by the Farmers Home Administration that is highly erodible land (as that term is defined in section 1601(a)(8) of the Agriculture, Food, Trade, and Conservation Act of 1985), the Secretary may require the use of specified conservation practices on such land as a condition of its sale or lease.

In those instances in which it is impracticable for the Secretary to sell or lease farmland administered by the Farmers Home Administration under the provisions of section 1712(a) of the Agriculture, Food, Trade, and Conservation Act of 1985, the Secretary may dispose of such farmland under the provisions of the Consolidated Farm and Rural Development Act that were in effect prior to the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

Section 1712(b) provides that the Secretary must implement the provisions contained in section 1712(a) of the Agriculture, Food, Trade, and Conservation Act of 1985 not later than 90 days after the date of enactment of that Act.

Release of normal income security

Section 1713 amends section 335 of the Consolidated Farm and Rural Development Act by adding a new subsection (f). The new subsection (f) provides that, until such time as the Secretary determines that a loan made or insured under the Consolidated Farm and Rural Development Act should be liquidated, the Secretary must release, from the normal income security provided for the loan, an amount of money sufficient to pay the borrower's essential household and farm operating expenses, as determined by the Secretary. The term "normal income security" had the meaning given to that term in section 1962.17(b) of Title 7, Code of Federal Regulations (as of January 1, 1985).

Loan summary statements

Section 1714 amends section 337 of the Consolidated Farm and Rural Development Act to provide that, upon the request of a borrower of a loan made or insured under that Act, the Secretary must issue a loan summary statement that reflects the activity in the borrower's loan amount during the summary period. The loan summary statement must cover each of the borrower's loans made or insured under the Act and must include—

(a) the outstanding amount of principal due on each loan at the beginning of the summary period;

(b) the interest rate charged on each loan;

(c) the amount of payments made on and their application to each loan during the summary period and in explanation of the basis for the application of such payments;

(d) the amount of principal and interest due on each loan at the end of the summary period;

(e) the total amount of unpaid principal and interest on all loans outstanding at the end of the summary period;

(f) any delinquency in the repayment of any loan;

(g) a schedule of the amount and date of payments due on each loan; and

(h) the procedure the borrower can use to obtain more information concerning the status of each loan.

Authorization of loan amounts

Section 1715(a) amends subsection (b) of section 346 of the Consolidated Farm and Rural Development Act to provide the following authorizations of loan amounts:

(a) For fiscal years 1986, 1987, and 1988, real estate and operating loans may be insured, made to be sold and insured, or guaranteed under subtitle A and B of the Consolidated Farm and Rural Development Act from the Agricultural Credit Insurance Fund in an amount equal to $4,000,000,000, of which not less than $520,000,000 must be for farm ownership loans.

(1) The $4,000,000,000 in authorized lending will be apportioned as follows:

(A) For fiscal year 1986—

(i) $2,000,000,000 for insured loans, of which not less than $260,000,000 must be for farm ownership loans, and

(ii) $2,000,000,000 for guaranteed loans, of which not less than $260,000,000 must be for guarantees of farm ownership loans.

(B) For fiscal year 1987—

(i) $1,500,000,000 for insured loans, of which not less than $195,000,000 must be for farm ownership loans, and

(ii) $2,500,000,000 for guaranteed loans, of which not less than $325,000,000 must be for guarantees of farm ownership loans.

(C) For fiscal year 1988—

(i) $1,000,000,000 for insured loans, of which not less than $130,000,000 must be for farm ownership loans, and

(ii) $3,000,000,000 for guaranteed loans, of which not less than $390,000,000 must be for guarantees of farm ownership loans.

(2) For each of the fiscal years 1986, 1987, and 1988, the Secretary is authorized to transfer up to 25 percent of the amounts authorized for loan guarantees to the amounts authorized for insured loans.

(b) For fiscal years 1986, 1987, and 1988, emergency loans may be insured, made to be sold and insured, or guaranteed under subtitle C of the Consolidated Farm and Rural Development Act from the Agricultural Credit Insurance Fund in such amounts as are necessary to meet the needs resulting from natural disasters.

(c) For each of the fiscal years 1986, 1987, and 1988, loans for the production and distribution of ethanol in rural areas may be guaranteed under section 310B of the Consolidated Farm and Rural Development Act from the Rural Development Insurance Fund in the amount of $150,000,000.

(d) For fiscal year 1986, water and waste facility loans may be insured or made to be sold and insured under section 306 of the

Consolidated Farm and Rural Development Act from the Rural Development Insurance Fund in the amount of $75,000,000.

Section 1715(b) amends section 346(e)(1) of the Act to raise from 20 to 25 percent the minimum percentage of aggregate farm ownership and operating loan amounts that must be made available for use by low-income, limited resource borrowers. The amendment also makes these changes in section 346(e)(1) permanent.

Section 1715(e) makes a technical amendment to the Act.

Interest rate reduction program

Effective through September 30, 1988, section 1716 amends the Consolidated Farm and Rural Development Act by adding a new section 350 to the Act. Section 350 provides that the Secretary must establish and carry out an interest rate reduction program for loans guaranteed under the Act. Under this program—

(a) The Secretary must enter into a contract with and make payments to a legally organized lending institution to reduce, during the term of the contract, the interest rate paid by a borrower on a guaranteed loan made by the institution. The Secretary must enter into the contract if—

(1) the borrower—

(A) is not able to obtain sufficient credit elsewhere to finance the borrower's actual credit needs at reasonable rates and terms, taking into consideration private and cooperative rates and terms for loans for a similar purpose and period of time in the community in or near which the borrower resides;

(B) is otherwise unable to make payment on the guaranteed loan in a timely manner;

(C) has a total estimated yearly cash income that equals or exceeds the total estimated yearly each expenses which the borrower will incur (including all farm and nonfarm expenses); and

(2) the lender reduces, during the term of his contract with the Secretary, the annual rate of interest payable by the borrower on the guaranteed loan by a minimum percentage specified by the Secretary in the contract.

(b) In return for the contract entered into by the lender for the reduction of the interest rate on the borrower's loan, the Secretary must make payments to the lender in an amount equal to not more than 50 percent of the cost of reducing the annual rate of interest payable on the loan, expect that the payments made by the Secretary may not exceed the cost of reducing the annual rate of interest by more than 2 percent.

(c) The term of the contract between the Secretary and the lending institution entered into for the purpose of reducing the rate of interest on a guaranteed loan may not exceed the outstanding term of the loan, or 3 years, whichever is less. In doing so, however, the total amount of funds used by the Secretary may not exceed $490,000,000.

(d) The Secretary may use the Agricultural Credit Insurance Fund for purposes of carrying out this program. In doing so, however, the total amount of funds used by the Secretary may not exceed $490,000,000.

Study of farm and home plan

Section 1717 provides that the Secretary must conduct a study of the appropriateness of the Farm and Home Plan form used by the Farmers Home Administration in connection with loans made or insured under the Consolidated Farm and Rural Development Act. If, after completing the study, the Secretary finds that the plan is not appropriate, the Secretary must—

(a) evaluate other alternative farm plan forms for use by the Farmers Home Administration;

(b) evaluate the need to develop a new farm plan form for use by the Farmers Home Administration; and

(c) specify the steps that should be taken to imporve or replace the current form.

The Secretary must also report the results of the study to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate not later than 120 days after the date of enactment of the Agriculture, food, Trade, and Conservation Act of 1985.

Study of Farm Credit System

Section 1718 provides that the Governor of the Farm Credit Administration must conduct a study of the need for the establishment of a fund to be used—

(a) to insure Farm Credit System institutions against losses on loans made by those institutions; or

(b) for any other purpose that would—

(1) assist in stabilizing the financial condition of the Farm Credit System; and

(2) protect the capital that borrowers of Farm Credit System loans have invested in the System.

In conducting this study, the Governor must—

(a) consider the advisability of using the revolving funds provided for under section 4.1 of the Farm Credit Act of 1971 to provide initial capital for the fund: and

(b) estimate the amount and level of future assessments to be levied on institutions of the Farm Credit System that would be necessary to ensure the long-term liquidity of the fund.

The Governor of the Farm Credit Administration must submit a report containing the results of the study to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate not later than 180 days after the date of enactment of the Agriculture, Food, Trade and Conservation Act of 1985.

TITLE XVIII—AGRICULTURAL MARKETING

Subtitle A—Pork Promotion, Research, and Consumer Information

Findings and declaration of purpose

Section 1801(a) declares findings of Congress to the effect that (1) pork and pork products are basic foods that are a valuable and healthy part of the human diet; (2) the production of pork and pork products plays a significant role in the economy of the United States because (A) pork and pork products are produced by thousands of producers, including many small- and medium-sized producers, and (B) pork and pork products are consumed by millions of people throughout the United States on a daily basis; (3) pork and pork products must be available readily and marketed efficiently to ensure that the people of the United States achieve adequate nourishment; (4) the maintenance and expansion of existing markets, and development of new markets, for pork and pork products are vital to (A) the welfare of pork producers and persons concerned with producing and marketing pork and pork products, and (B) the general economy of the United States; (5) pork and pork products move in interstate and foreign commerce; (6) pork and pork products that do not move in such channels of commerce directly burden or affect interstate commerce in pork and pork products; and (7) in recent years, increasing quantities of low-cost, imported pork and pork products have been brought into the United States and replaced domestic pork and pork products in normal channels of trade.

Section 1801(b)(1) provides that it is the purpose of this subtitle to authorize the establishment of an orderly procedure for financing, through adequate assessments, an effective and coordinated program of promotion, research, and consumer information designed to (A) strengthen the position of the pork industry in the marketplace; and (B) maintain, develop, and expand markets for pork and pork products.

Section 1801(b)(2) provides that such procedure must be implemented, and such program must be conducted, at no cost to the Federal Government.

Section 1801(b)(3) provides that nothing in this subtitle may be construed to (A) permit or require the imposition of quality standards for pork or pork products; (B) provide for control of the production of pork or pork products; or (C) otherwise limit the right of an individual pork producer to produce pork and pork products.

Definitions

Section 1802 defines, for purposes of this subtitle, the terms (1) "Board" to mean the National Pork Board provided for under section 1808; (2) "consumer information" to mean an activity intended to broaden the understanding of sound nutritional attributes of pork or pork products, including the role of pork or pork products in a balanced, healthy diet; (3) "Delegate Body" to mean the National Pork Producers Delegate Body provided for under section 1806; (4) "Directors" to mean the National Pork Producer Directors provided for under section 1807; (5) "imported" to mean entered, or withdrawn from a warehouse for consumption, in the customs territory of the United States; (6) "importer" to mean a person who imports porcine animals, pork, or pork products into the United States; (7) "order" to mean a pork and pork products promotion, research, and consumer information order issued under section 1805; (8) "person" to mean an individual, group of individuals, partnership, corporation, association, organization, cooperative, or other entity; (9) "porcine animal" to mean a swine raised for feeder pigs; breeding purposes; or slaughter; (10) "pork" to mean the flesh of a porcine animal; (11) "pork product" to mean a product produced or processed in whole or in part from pork, (12) "producer" to mean a person who produces porcine animals in the United States for sale in commerce; (13) "promotion" to mean an action, including paid advertising, taken to present a favorable image for porcine animals, pork, or pork products to the public with the intent of improving the competitive position and stimulating sales of porcine animals, pork, or pork products; (14) "research" to mean (A) research designed to advance, expand, or improve the image, desirability, nutritional value, usage, marketability, production, or quality of porcine animals, pork, or pork products; or (B) dissemination to a person of the results of such research; (15) "Secretary" to mean the Secretary of Agriculture; (16) "State" to mean each of the 50 States; (17) "State association" to mean (A) the single organization of pork producers in a State that is organized under the laws of the State in which such association operates and is recognized by the chief executive officer of such State as representing the pork producers of such State, or (B) if such organization does not exist on the effective date of this subtitle, an organization that represents not fewer than 50 pork producers who market annually, in the aggregate, not less than 10 percent of the volume (measured in pounds) of porcine animals marketed in such State; (18) "to market" to mean to sell or to otherwise dispose of a procine animal, pork, or pork product in commerce, and (19) "United States" to mean the 50 States and the District of Columbia.

Pork and pork product orders

Section 1803(a) requires the Secretary, in accordance with this subtitle, to issue and, from time to time, amend orders applicable to persons engaged in the production and sale of porcine animals, pork, and pork products in the United States; and the importation of porcine animals, pork, or pork products into the United States.

Section 1803(b) authorizes the Secretary to issue such regulations as are necessary to carry out this subtitle.

Notice and hearing

Section 1804 requires the Secretary, during the period beginning on the effective date of this subtitle and ending 30 days after receipt of a proposal for an initial order submitted by the Directors, the Board, or a person affected by this subtitle, (1) to publish such proposed order, and (2) to give due notice of and opportunity for public comment on such proposed order.

Findings and issuance of orders

Section 1805(a) requires the Secretary, after notice and opportunity for public comment have been provided in accordance with section 1804, to issue and publish an order if the Secretary finds, and sets forth in such order, that the issuance of such order and all terms and conditions thereof will assist in carrying out this subtitle.

Section 1805(b) provides that not more than one order may be in effect at a time.

Section 1805(c) provides that an order would become effective on a date that is not more than 90 days following publication of such order.

Section 1805(d) provides that an order must contain such terms and conditions as are required in sections 1806 through 1809 and, except as provided in section 1810, no others.

National Pork Producers Delegate Body

Section 1806(a) provides that the order must provide for the establishment and appointment by the Secretary, not later than 45 days after the effective date of such order, of a National Pork Producers Delegate Body.

Section 1806(b)(1) provides that the Delegate Body would consist of (A) producers, as appointed by the Secretary in accordance with section 1806(b)(2), from nominees submitted by each State association; or in the case of a State that has a State association that does not submit nominations or that does not have a State association, such State in a manner prescribed by the Secretary; and (B) importers, as appointed by the Secretary in accordance with section 1806(b)(3).

Section 1806(b)(2) provides that the number of producer members appointed to the Delegate Body from each State would equal at least two members, and additional members, allocated as follows: Shares would be assigned to each State (i) for the 1986 calendar year, on the basis of one share for each $400,000 of farm market value of porcine animals marketed from such State (as determined by the Secretary based on the annual average of farm market value in the most recent 3 calendar years preceding such year), rounded to the nearest $400,000; and (ii) for each calendar year thereafter, on the basis of one share for each $1,000 of the aggregate amount of assessments collected (minus refunds under section 1813) in such State from persons described in section 1809(a)(1)(A) and (B), rounded to the nearest $1,000. If during a calendar year the number of such shares of a State is less than 301, the State would receive a total of two producer members; more than 300 but less than 601, the State would receive a total of three producer members; more than 600 but less than 1,001, the State would receive a total of four producer members; and more than 1,000, the State would receive four producer members, plus one additional member for each 300 additional shares in excess of 1,000 shares, rounded to the nearest 300.

Section 1806(b)(3) provides that the number of importer members appointed to the Delegate Body would be determined as follows: Shares would be assigned to importers (i) for the 1986 calendar year, on the basis of one share for each $575,000 of market value of marketed porcine animals, pork, or pork products (as determined by the Secretary based on the annual average of imports in the most recent 3 calendar years preceding such year), rounded to the nearest $575,000; and (ii) for each calendar year thereafter, on the basis of one share for each $1,000 of the aggregate amount of assessments collected (minus refunds under section 1813) from importers, rounded to the nearest $1,000. The number of importer members appointed to the Delegate Body would equal a total of 3 members for the first 1,000 such shares; and 1 additional member for each 300 additional shares in excess of 1,000 shares, rounded to the nearest 300.

Section 1806(c)(1) provides that a producer member of the Delegate Body may, in a vote conducted by the Delegate Body for which the member is present, cast a number of votes equal to the number of shares attributable to the State of the member divided by the number of producer members from such State.

Section 1806(c)(2) provides that an importer member of the Delegate Body may, in a vote conducted by the Delegate Body for which the member is present, cast a number of votes equal to the number of shares allocated to importers divided by the number of importer members.

Section 1806(c)(3) provides that members entitled to cast a majority of the votes (including fractions thereof) on the Delegate Body would constitute a quorum.

Section 1806(c)(4) provides that a majority of the votes (including fractions thereof) cast at a meeting at which a quorum is present would be decisive of a motion or election presented to the Delegate Body for a vote.

Section 1806(d) provides that a member of the Delegate Body would serve for a term of 1 year.

Section 1806(e)(1) provides that at the first annual meeting, the Delegate Body would select a Chairman by a majority vote.

Section 1806(e)(2) provides that at each annual meeting thereafter, the President of the Board would serve as the Chairman of the Delegate Body.

Section 1806(f) provides that a member of the Delegate Body would serve without compensation, but may not reimbursed by the Board from assessments collected under section 1809 for transportation expenses incurred in performing duties as a member of the Delegate Body.

Section 1806(g)(1) provides that the Delegate Body must nominate not less than 17 persons for appointment to the Board from among the members of the Directors for the first year for which nominations are made and not less than one and one half persons (rounded up to the nearest person), from among the Directors, for each vacancy in the Board that requires nominations thereafter and submit such nominations to the Secretary.

Section 1806(g)(2) provides that the Delegate Body must meet annually to make such nominations.

Section 1806(g)(3) provides that a majority of the Delegate Body must vote in person in order to nominate members to the Board.

National Pork Producer Director

Section 1807(a) provides that the order must provide for the establishment and appointment by the Secretary, not later than 45 days after the effective date of such order, of a body to be known as the National Pork Producer Directors.

Section 1807(b) provides that the Directors must serve as liaison between the State associations and the Board and consult with the Board on policy matters.

Section 1807(c) provides that the Directors would consist of one producer member appointed from each State; one additional producer member appointed from each State from which at least 11 million porcine animals are marketed during a year (based on the annual average number of porcine animals marketed in the most recent 3 calendar years occurring before the date of appointment); and one importer member selected in a manner prescribed by the Secretary.

Section 1807(d) requires the Secretary to appoint the members of the Directors from nominations submitted in the same manner as nominations submitted for members of the Delegate Body pursuant to section 1806(b)(1).

Section 1807(e)(1) provides that a member of the Directors appointed under sections 1807(c)(1) or 1807(c)(3) would serve for a 3-year term, with no such member serving more than two consecutive 3-year terms, except that initial appointments to the Directors would be staggered with an equal number of members appointed, to the maximum extent possible, to 1-year, 2-year, and 3-year terms.

Section 1807(e)(2) provides that a member of the Directors appointed under section 1807(c)(2) would serve for a 1-year term, with no such member serving more than six consecutive 1-year terms.

Section 1807(e)(3) provides that in the case of a member of the Directors who has not been appointed to the Board for a term that extends beyond the maximum term of service permitted under section 1807(e), the limitation on such term may be waived by the Board to permit such member to complete the full appointed term of such member on the Board.

Section 1807(f) requires the President of the Board to serve as the Chairman of the Directors.

Section 1807(g) requires a member of the Directors to serve without compensation, but authorizes such member to be reimbursed by the Board from assessments collected under section 1809 for transportation expenses incurred in performing duties as a member of the Directors.

National Pork Board

Section 1808(a)(1) provides that the order must provide for the establishment and appointment by the Secretary of an 11-member National Pork Board.

Section 1808(a)(2) provides that the Board must consist of persons appointed by the Secretary from nominations submitted under section 1806(g).

Section 1808(a)(3) requires a member of the Board to serve for a 3-year term, with no such member serving more than two consecutive 3-year terms, except that initial appointments to the Board would be staggered with an equal number of members appointed, to the maximum extent possible, to 1-year, 2-year, and 3-year terms.

Section 1808(a)(4) requires the Board to select its President by a majority vote.

Section 1808(a)(5) provides that a majority of the members of the Board would constitute a quorum at a meeting of the Board and that a majority of votes cast at a meeting at which a quorum is present would determine a motion or election.

Section 1808(a)(6) provides that a member of the Board would serve without compensaiton, but would be reimbursed by the Board from assessments collected under section 1809 for reasonable expenses incurred in performing duties as a member of the Board.

Section 1808(b)(1) provides that the Board must develop, at the initiative of the Board or other person, proposals for promotion, research, and consumer information plans and projects; submit such plans and projects to the Secretary for approval; administer the order issued by the Secretary under this subtitle, in accordance with the order and this subtitle; prescribe such rules as are necessary to carry out such order; receive, investigate, and report to the Secretary complaints of violations of such order; make recommendations to the Secretary with respect to amendments to such order; and employ a staff and conduct routine business.

Section 1808(b)(2) requires the Board to prepare and submit to the Secretary, for the approval of the Secretary, a budget for each fical year of anticipated expenses and disbursements of the Board in the administration of the order, including the projected cost of any promotion, research or consumer information plan or project to be conducted by the Board directly or by way of contract or agreement, and the budgets, plans, or projects for which State associations are to receive funds pursuant to seciton 1809(c)(1) and for which the National Pork Producers Council is to receive funds pursuant to section 1809(c)(2).

Section 1808(b)(3) provides that no plan, project, or budget, referred to in section 1808(b)(1) or 1808(b)(2), may become effective unless approved by the Secertary.

Section 1808(b)(4) authorizes the Board, with the approval of the Secretary, to enter into contracts or agreements with a person for the development and conduct of activities authorized under an order, and the payment of the cost thereof with funds collected through assessments under such order. A contract or agreement would require that (i) the contracting party must develop and submit to the Board a plan or project, together with a budget or budgets that include the estimated cost to be incurred under such plan or project; (ii) such plan or project would become effective on the approal of the Secretary; and (iii) the contracting party must keep accurate records of all relevant transactions of the party, make periodic reports to the Board of relevant activities the party has conducted and of an accounting for funds received and expended under such contract, and make such other reports as the Secretary or the Board may require.

Assessments

Section 1809(a)(1) provides that the order must provide that, not later than 30 days after the Board is established and appointed pursuant to section 1808, an assessment must be paid, in the manner prescribed in the order and except as provided in section 1809(a)(3), by (A) each producer of a swine raised for feeder pigs or slaughter, produced in the United States that is sold; (B) each producer of a swine raised for breeding purposes that is sold; and (C) each importer for each procine animal, pork, or pork product imported into the United States.

Section 1809(a)(2) provides that such assessment would be collected and remitted to the Board by a purchaser of a porcine animal, pork, or pork product of a swine raised for feeder pigs, or slaughter produced in the United States that is sold, or a swine raised for breeding purposes that is sold, and an importer for each porcine animal, pork, or pork product imported into the United States.

Section 1809(a)(3) provides that a person is not required to pay an assessment for a procine animal, pork, or pork product under section 1809(a)(1) if such person proves to the Board that an assessment was paid previously under section 1809(a)(1) by a person for such procine animal (of the same categories described in section 1802(9)(A), (B), or (C)), pork, or pork product.

Section 1809(b)(1) provides that, except as provided in section 1809(b)(2), the rate of assessment prescribed by the initial order would be 0.25 percent of the market value of the porcine animal, pork, or pork product sold or imported or an amount established by the Secretary based on a recommendation of the Board.

Section 1809(b)(2) provides that, except as provided in section 1809(b)(3), the rate of assessment in the initial order may be increased by not not more than 0.1 percent per year on recommendation of the Board.

Section 1809(b)(3) provides that the rate of assessment may not exceed 0.50 percent of such market value unless after the initial referendum required under section 1811(a), the Board recommends an increase in such rate above 0.50 percent and such increase is approved in a referendum conducted under section 1812(b).

Section 1809(b)(4) provides that pork or pork products imported into the United States would be assessed on the equivalent value of the live porcine animal from which such pork or pork products were produced, as determined by the Secretary. The Secretary is authorized to waive the collection of assessments on a type of such imported pork or pork products if the Secretary determines that such collection is not practicable.

Section 1809(c)(1) provides that funds collected by the Board from assessments collected under section 1809 must be distributed and used such that each State association would receive an amount of funds equal to the product obtained by multiplying the aggregate amounts of assessments collected in such State from producers of a swine raised for feeder pigs or slaughter, produced in the United States that is sold, and producers of a swine raised for breeding purposes that is sold by a percentage determined by the Board. A State association would use such funds and any proceeds from the investment of such funds for financing promotion, research, and consumer information plans and projects, and administrative expenses incurred in connection with such plans and projects.

Section 1809(c)(2) provides that the National Pork Producers Council, a nonprofit corporation of the type described in section 501(c)(3) of the Internal Revenue Code of 1954 and incorporated in the State of Iowa, would receive an amount of funds equal to 60 percent of the aggregate amount of assessments collected under section 1809 less the amount required to be distributed under section 1809(c)(1). The Council would use such funds for financing promotion, research, and consumer information plans and projects, and administrative expenses incurred in connection with such plans and projects.

Section 1809(c)(3) provides that the Board would receive the amount of funds that remain after the distributions required under sections 1809(1) and 1809(c)(2). The Board would use such funds and any proceeds from the investment of such funds pursuant to section 1809(g) for financing promotion, research, and consumer information plans and projects in accordance with this subtitle; such expenses for the administration, maintenance and functioning of the Board as may be authorized by the Secretary; accumulation of a reasonable reserve to permit an effective promotion, research and consumer information program to continue in years when the amount of assessments may be reduced; and administrative costs incurred by the Secretary to carry out this subtitle, including any expenses incurred for the conduct of a referendum under this subtitle.

Section 1809(d) provides that no promotion funded with assessments collected under this subtitle may make a false or misleading claim on behalf of pork or a pork product; or a false or misleading statement with respect to an attribute or use of a competing product.

Section 1809(e) provides that no funds collected through assessments authorized by section 1809 may, in any manner, be used for the prupose of influencing legislation, as defined in section 4911(d) and (e)(2) of the Internal Revenue Code of 1954.

Section 1809(f) requires the Board to maintain such books and records, and prepare and submit to the Secretary such reports from time to time, as may be required by the Secretary for appropriate accounting of the receipt and disbursement of funds entrusted to the Board; and cause a complete audit report to be submitted to the Secretary at the end of each fiscal year.

Section 1809(g) authorizes the Board, with the approval of the Secretary, to invest, pending disbursement for a plan or project, funds collected through assessments authorized under section 1809, only in an obligation of the United States, or of a State or political subdivision thereof; an interest-bearing account or certificate of deposit of a bank that is a member of the Federal Reserve System; or an obligation fully guaranteed as to principal and interest by the United States.

Permissive provisions

Section 1810(a) provides that on the recommendation of the Board, and with the approval of the Secretary, an order may contain one or more of the following provisions: (1) A person purchasing a porcine animal from a producer for commercial use, and an importer, must maintain and make available for inspection such books and records as may be required by the order; and file reports at the time, in the manner, and having the content prescribed by the order, including documentation of the State of origin of a purchased porcine animal or the place of origin of an imported porcine animal, pork, or pork product or (2) a term or condition incidental to, and not inconsistent with, the terms and conditions specified in this subtitle, and which is necessary to effectuate the other provisions of such order.

Section 1810(b)(1) provides that information referred to in section 1810(a)(1) would be made available to the Secretary and the Board as is appropriate or necessary for the effectuation, administration, or enforcement of this subtitle or an order issued under this subtitle.

Section 1810(b)(2) provides that information obtained under section 1810(a)(1) would be kept confidential by officers or employees of the Secretary or the Board. Such information could be disclosed only in a suit or administrative hearing involving the order with respect to which the information was furnished or acquired brought at the direction or on the request of the Secretary or to which the Secretary or an officer of the United States is a party and if the Secretary considers such information to be relevant to such suit or hearing. Nothing in section 1810 prohibits (i) the issuance of a general statement based on the reports of a number of persons subject to an order, or statistical data collected therefrom, if such statement or data does not identify the information furnished by any person; or (ii) the publication by direction of the Secretary, of the name of a person violating an order, together with a statement of the particular provisions of the order violated by such person. A person who willfully violates section 1810(b)(2) would be subject, on conviction, (i) to a fine of not more than $1,000 or imprisoned for not more than 1 year, or both; and (ii) if such person is an employee of the Secretary or the Board, removed from office.

Referendum

Section 1811(a)(1) requires the Secretary, for the purpose of determining whether an order then in effect would be continued, to conduct a referendum during the period beginning not earlier than 1 year and ending not later than 2 years after the issuance of the order among persons who have been producers or importers during a representative period, as determined by the Secretary.

Section 1811(a)(2) provides that such order would be continued only if the Secretary determines that such order has been approved by not less than a majority of the producers and importers voting in the referendum.

Section 1811(a)(3) provides that if the continuation of such order is not approved by a majority of the producers and importers voting in the referendum, the Secretary would terminate collection of assessments under the order not later than 6 months after the date of such determination. The order would be terminated in an orderly manner as soon as practicable after the date of such determination.

Section 1811(b) requires the Secretary to be reimbursed from assessments collected by the Board for any expenses incurred in connection with a referendum conducted under section 1811 or section 1812.

Section 1811(c) provides that a referendum must be conducted in such manner as prescribed by the Secretary.

Section 1811(d) provides that a referendum to amend the initial order would be conducted pursuant to section 1811.

Suspension and termination of orders

Section 1812(a) provides that if after the initial referendum provided for in section 1811(a) the Secretary determines that an order issued under this subtitle, or a provision of the order, obstructs or does not tend to effectuate the declared policy of this subtitle, the Secretary must terminate or suspend the operation of such order or provision.

Section 1812(b)(1) provides that after the initial referendum provided for in section 1811(a), on the request of a number of persons equal to at least 15 percent of persons who have been producers and importers during a representative period, as determined by the Secretary, the Secretary must conduct a referendum to determine whether the producers and importers favor the termination or suspension of the order. The Secretary would suspend or terminate collection of assessments under the order not later than 6 months after the date the Secretary determines that suspension or termination of the order is favored by a majority of the producers and importers voting in the referendum, and terminate the order in an orderly manner as soon as practicable after the date of such determination.

Section 1812(b)(2) provides that, except with respect to a referendum required to be conducted under section 1809, the Secretary would not be required to conduct more than one referendum under this subtitle in a 2-year period.

Section 1812(c) provides that the termination or suspension of an order, or a provision of an order, would not be considered an order within the meaning of this subtitle.

Refunds

Section 1813(a) provides that notwithstanding any other provision of this subtitle, prior to the approval of the continuation of an order pursuant to the referendum required under section 1811(a), any person would have the right to demand and receive from the Board a refund of an assessment collected under section 1809 if such person is responsible for paying such assessment and does not support the program established under this subtitle.

Section 1813(b) provides that such demand would be made in accordance with regulations and on a form and within a time period prescribed by the Board and approved by the Secretary, but not later than 30 days after the end of the month in which the assessment was paid.

Section 1813(c) provides that such refund would be made not later than 30 days after demand is received therefore on submission of proof satisfactory to the Board that the producer, person, or importer paid the assessment for which refund is sought and did not collect such assessment from another producer, person, or importer.

Petition and review

Section 1814(a)(1) provides that a person subject to an order may file with the Secretary a petition stating that such order, a provision of such order, or an obligation imposed in connection with such order is not in accordance with law, and requesting a modification of such order or an exemption from such order.

Section 1814(a)(2) provides that such person would be given an opportunity for a hearing on the petition, in accordance with regulations issued by the Secretary.

Section 1814(a)(3) provides that after such hearing, the Secretary would make a determination granting or denying such petition.

Section 1814(b)(1) provides that a district court of the United States in the district in which such person resides or does business would have jurisdiction to review such determination if a complaint for such purpose is filed not later than 20 days after the date such person receives notice of such determination.

Section 1814(b)(2) authorizes service of process in such proceeding to be made on the Secretary by delivering a copy of the complaint to the Secretary.

Section 1814(b)(3) provides that if a court determines that such determination is not in accordance with law, the court must remand such proceedings to the Secretary with directions to make such ruling as the court determines to be in accordance with law, or to take such further proceedings as, in the opinion of the court, the law requires.

Enforcement

Section 1815(a)(1) provides that a district court of the United States would have jurisdiction specifically to enforce, and to prevent and restrain a person from violating, an order, rule, or regulation issued under this title.

Section 1815(a)(2) provides that a civil action authorized to be brought under section 1815(a) would be referred to the Attorney General for appropriate action, except that the Secretary is not required to refer to the Attorney General a violation of this subtitle if the Secretary believes that the administration and enforcement of this subtitle would be adequately served by providing a suitable written notice or warning to a person who committed such violation or by administrative action under section 1815(b).

Section 1815(b)(1) provides that a person who willfully violates an order, rule, or regulation issued by the Secretary under this subtitle may be assessed a civil penalty by the Secretary of not more than $1,000 for each such violation. In the case of a willful failure to pay, collect, or remit an assessment as required by an order, an additional penalty equal to the amount of such assessment may be assessed. Each such violation would be a separate offense. In addition to or in lieu of such civil penalty, the Secretary is authorized to issue an order requiring such person to cease and desist from violating such order, rule, or regulation. No penalty may be assessed or cease-and-desist order issued unless the Secretary gives such person notice and opportunity for a hearing on the record with respect to such violation. An order issued under this section 1815(b)(1) by the Secretary would be final and conclusive unless such person files an appeal from such order with the appropriate United States court of appeals not later than 30 days after such person receives notice of such order.

Section 1815(b)(2) permits a person against whom an order is issued under section 1815(b)(1) to obtain review of such order in the court of appeals of the United States for the circuit in which such person resides or does business, or in the United States Court of Appeals for the District of Columbia Circuit, by filing a notice of appeal in such court not later than 30 days after the date of such order; and simultaneously sending a copy of such notice by certified mail to the Secretary. The Secretary would file promptly in such court a certified copy of the record on which such violation was found. A finding of the Secretary would be set aside only if the finding is found to be unsupported by substantial evidence.

Section 1815(b)(3) provides that a person who fails to obey a valid cease-and-desist order issued under section 1815(b)(1) by the Secretary, after an opportunity for a hearing, would be subject to a civil penalty assessed by the Secretary of not more than $500 for each offense. Each day during which such failure continues would be considered a separate violation of such order.

Section 1815(b)(4) provides that if a person fails to pay a valid civil penalty imposed under section 1815(b) by the Secretary, the Secretary must refer the matter to the Attorney General for recovery of the amount assessed in an appropriate district court of the United States. In such action, the validity and appropriateness of the order imposing such civil penalty would not be subject to review.

Section 1815(c) provides that the remedies provided in sections 1815(a) and 1815(b) would be in addition to, and not exclusive of, other remedies that may be available.

Investigations

Section 1816(a) authorizes the Secretary to make such investigations as the Secretary considers necessary for (1) the effective administration of this subtitle; or (2) to determine whether a person subject to this subtitle has engaged, or is about to engage, in an act that constitutes, or will constitute, a violation of this title or an order, rule, or regulation issued under this subtitle.

Section 1816(b)(1) authorizes the Secretary, for the purpose of such investigation, to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any records that are relevant to the inquiry.

Section 1816(b)(2) provides that such attendance of witnesses and the production of such records may be required from any place in the United States.

Section 1816(c)(1) provides that in the case of contumacy, or refusal to obey a subpoena, by a person, the Secretary may invoke the aid of a court of the United States with jurisdiction over such investigation or proceeding, or where such person resides or does business, in requiring the attendance and testimony of such person and the production of such records.

Section 1816(c)(2) authorizes the court to issue an order requiring such person to appear before the Secretary to produce records or to give testimony touching the matter under investigation.

Section 1816(c)(3) provides that a failure to obey an order issued under section 1816 by the court may be punished by the court as a contempt thereof.

Section 1816(c)(4) provides that process in such a case may be served in the judicial district in which such person is an inhabitant or wherever such person may be found.

Authorization for appropriations

Section 1817(a) authorizes such sums to be appropriated as may be necessary for the Secretary to carry out this subtitle, subject to reimbursement from the Board under section 1809(c)(3).

Section 1817(b) provides that sums appropriated to carry out this subtitle would not be available for payment of an expense or expenditure of the Board in administering an order.

Preemption

Section 1818(a) provides that this subtitle is intended to occupy the field of promotion and consumer education involving pork and pork products, and obtaining funds therefor from pork producers.

Section 1818(b) provides that the regulation of such activity (other than a regulation or requirement relating to a matter of public health or the provision of State or local funds for such activity) that is in addition to or different from this subtitle may not be imposed by a State.

Section 1818(c) provides that this section would apply only during a period beginning on the date of the commencement of the collection of assessments under section 1809(a)(1) and ending on the date of the termination of the collection of assessments under section 1811(a)(3) or 1812(b)(1).

Effective date

Section 1819 provides that this subtitle becomes effective on January 1, 1986.

Subtitle B—Beef Promotion and Research

Section 1830 amends the Beef Research Information Act as follows:

Short title

Section 1 provides that this Act may be cited as the "Beef Promotion and Research Act".

Finding and declaration of policy

Section 2(a) declares the findings of Congress to the effect that (1) beef and beef products are basic foods that are a valuable part of the human diet; (2) the production of beef and beef products plays a significant role in the economy of the States because beef and beef products are produced by thousands of beef producers; prepared by numerous processors; and consumed by millions of people throughout the United States and foreign countries; (3) beef and beef products must be available readily and marketed efficiently to ensure that the people of the United States receive adequate nourishment; (4) the maintenance and expansion of existing markets for beef and beef products are vital to the welfare of beef producers and persons concerned with producing, marketing, and using beef and beef products; and the general economy of the United States; (5) established State and national organizations conduct beef promotion, research, and consumer education programs that are invaluable to promote the consumption of beef and beef products, (6) beef and beef products move in interstate and foreign commerce; and (7) beef and beef products that do not move in such channels of commerce directly burden or affect interstate commerce in beef and beef products.

Section 2(b)(1) provides that it is the purpose of this Act to authorize the establishment of an orderly procedure for financing, through adequate assessments, and carry out a coordinated program of promotion and research designed to strengthen the position of the beef industry in the marketplace; and maintain and expand domestic and foreign markets and uses for beef and beef products.

Section 2(b)(2) provides that nothing in this Act would be construed to limit the right of an individual producer to raise cattle.

Definitions

Section 3 provides that for purposes of this Act the term (1) "beef" means the flesh of cattle; (2) "beef product" means a product produced in whole or in part from beef, other than milk and milk products produced therefrom; (3) "Board" means the Cattleman's Beef Promotion and Research Board established under section 5; (4) "cattle" means live domesticated bovine animals, regardless of age; (5) "Committee" means the Beef Promotion Operating Committee established under section 6; (6) "consumer information" means nutritional data and other information that will assist consumers and other persons in making evaluations and decisions regarding the purchasing, preparing, and utilization of beef and beef products; (7) "importer" means a person who imports cattle, beef, or edible beef products into the United States; (8) "industry information" means information or programs that will lead to the development of new markets, marketing strategies, increased efficiency, and activities to enhance the image of the cattle industry; (9) "order" means a beef promotion and research order issued under section 4; (10) "person" means an individual, group of individuals, partnership, corporation, association, organization, cooperative, or other entity; (11) "producer" means a person who owns cattle, except that such term shall not include a person if the only share of the person in proceeds derived from the sale of cattle is a sales commission, handling fee, or other service fee; (12) "product research" means studies testing the effectiveness of market development and promotion efforts, studies relating to the nutritional value of beef and beef products, other related food science research, and new product development; (13) "promotion" means an action, including paid advertising, taken to advance the image and desirability of beef and beef products with the intent of improving the competitive position and stimulating sales of beef and beef products in the marketplace; (14) "qualified State beef council" means a beef promotion entity of a State that (A) is authorized under the laws of such State; or organized, operating, and receiving voluntary contributions within such State; (B) conducts beef promotion, research, and consumer information programs; and (C) is recognized by the Board as the beef promotion entity within such State; (15) "Secretary" means the Secretary of Agriculture; (16) "State" means each of the 50 States; (17) "United States" means the 50 States and the District of Columbia.

Beef promotion and research orders

Section 4(a)(1) provides that during the period beginning on the effective date of section 4 and ending 30 days after receipt of a proposal for an initial order, the Secretary must publish such proposed order; and give due notice of and opportunity for public comment on such proposed order.

Section 4(a)(2) provides that a proposed order may be submitted by any organization certified under section 9 or any interested person, including the Secretary.

Section 4(b)(1) provides that after notice of and opportunity for public comment are provided in accordance with section 4(a), the Secretary must issue a beef promotion and research order.

Section 4(b)(2) provides that the order would become effective on a date that is not more than 120 days following the publication of a proposed order submitted under section 4(a).

Section 4(c) provides that the order would contain such terms and conditions as are (1) required in sections 5 through 8; or (2) otherwise necessary to carry out such order, consistent with this Act.

Cattlemen's Beef Promotion and Research Board

Section 5(a) provides that the order would provide for the establishment of a Cattlemen's Beef Promotion and Research Board.

Section 5(b)(1) provides that the Board would consist of (A) producers, as appointed by the Secretary in accordance with this section 5(b), from nominees submitted by organizations certified under section 9; or in the case of a State that the Secretary determines does not have such an organization, such State in a manner prescribed by the Secretary; and (B) importers, as appointed by the Secretary in accordance with section 5(b).

Section 5(b)(2) provides that for the purpose of determining the membership of and representation on the Board, units would be allocated as follows: (A) Each State that has a total inventory of 500,000 or more cattle would constitute a separate unit; (B) States that have a total inventory of less than 500,000 cattle per State would be grouped, as far as practicable, into geogrpahic contiguous units each of which has a combined total inventory of not less than 500,000 cattle, in a manner prescribed in the order; and (C) Importers would constitute by a single unit.

Section 5(b)(3) provides that the number of members appointed to the Board to represent each unit would equal at least one member, plus one additional member for each 1 million head of cattle in excess of 500,000. The number of members appointed to the Board to represent importers would be determined by converting the volume of imported beef and beef products into an equivalent number of live animals.

Section 5(b)(4) authorizes the Board to recommend to the Secretary a change in the number of cattle per unit necessary for representation on the Board. The Secretary is authorized on receipt of such recommendation, to modify such number.

Section 5(c) provides that a member of the Board would serve for a 3-year term, with no member serving more than 2 consecutive terms, except that initial appointments to the Board would be staggered with an equal number of members appointed, to the maximum extent possible, to 1-year, 2-year, and 3-year terms.

Section 5(d) provides that a member of the Board must serve without compensation, but would be reimbursed from assessments collected by the Board for reasonable expenses incurred in performing duties as a member of the Board or the Committee.

Section 5(e)(1) provides that the Board would (A) administer the order in accordance with the terms and conditions of the order; (B) issue such regulations as are necessary to carry out the order; (C) elect members of the Board to serve on the Committee; (D) approve or disapprove budgets submitted by the Committee; (E) receive, investigate, and report to the Secretary on complaints of violations of the order; and (F) recommend to the Secretary any necessary amendments to the order.

Section 5(e)(2) requires the Board to meet annually to carry out section 5(e).

Section 5(e)(3) provides that the order would define (A) the powers and duties of the Board, consistent with section 5(e); and (B) the circumstances under which special meetings of the Board may be held.

Beef Promotion Operating Committee

Section 6(a) provides that the order would provide for the establishment of a Beef Promotion Operating Committee.

Section 6(b) provides that the Committee would consist of (1) 10 members of the Board, elected by the Board; and (2) 10 producers who are directors of qualified State beef councils, elected by a federation that includes as members the qualified State beef councils.

Section 6(c) provides that a member of the Committee would serve for a 1-year term, with no member serving more than 6 consecutive terms.

Section (6)(d) provides that a member of the Committee must serve without compensation, but would be reimbursed from assessments collected by the Board for reasonable expenses incurred in performing duties as a member of the Committee.

Section 6(e)(1) provides that the Committee would develop plans or projects for promotion, advertising, research, consumer information, and industry information, which would be paid for with assessments collected by the Board.

Section 6(e)(2) provides that the Committee would develop and submit to the Board, for the approval of the Board, a budget for each fiscal year of anticipated expenses and disbursements of the Committee, including the projected cost of all plans and projects for promotion, advertising, research consumer information, and industry information. The Board would approve or disapprove a budget for each fiscal year; and if approved, submit such budget to the Secretary for the approval of the Secretary.

Section 6(e)(3) provides that no plan, project, or budget referred to in section 6(e)(1) or (2) may become effective unless approved by the Secretary.

Section 6(e)(4) provides that to the maximum extent possible, the Committee must utilize the resources, staffs, and facilities of the Board and industry organizations. An employee of the industry organization could not receive compensation for work performed for the Committee, but would be reimbursed from assessments collected by the Board for reasonable expenses incurred in performing such work.

Section 6(e)(5) requires the Committee to enter into contracts or agreements with established national nonprofit industry-governed organizations, including the federation referred to in section 6(b)(2), to implement plans and projects for promotion, advertising, research, consumer information, and industry information. Such contract or agreement would require that the contracting party develop and submit to the Committee a plan or project, together with a budget or budgets that include the estimated cost to be incurred for such plan or project; that such plan or project would become effective on the approval of the Secretary; and that the contracting party must keep accurate records of all relevant transactions of the party and make periodic reports to the Committee of relevant activities the party has conducted and of an accounting for funds received and expended under such contract; and make such other reports as the Secretary, Board, or Committee may require.

Section 6(f) requires the Committee and the Board to maintain, and make available to the Secretary for inspection and audit, such books and records as the Secretary may require; prepare and submit to the Secretary, from time to time, such reports as the Secretary may require; and account for the receipt and disbursement of all funds entrusted to the Committee or the Board, as the case may be.

Assessments

Section 7(a)(1) provides that the order would provide, in the manner prescribed in the order, that an assessment would be remitted to the Board by (A) each person making payment to a producer for cattle purchased from the producer; (B) each person marketing beef directly from cattle produced by such person; and (C) each importer of cattle, beef, or edible beef products.

Section 7(a)(2) requires the Board to use qualified State beef councils to collect assessments due under this Act.

Section 7(b)(1) provides that the rate of assessment prescribed by such order would be (A) $1 per head of cattle; or (B) in the case of imported beef and edible beef products, the equivalent thereof, as determined by the Secretary.

Section 7(b)(2) provides that if a producer establishes to the satisfaction of the Secretary that such producer is participating in a program of an established qualified State beef council, the producer would receive credit in determining the amount of the assessment due from such producer for contributions to such program of up to 50 cents per head of cattle or the equivalent thereof.

Section 7(b)(3) provides that for purposes of section 7(b)(2), there may be only one qualified State beef council in each State.

Section 7(c)(3) provides that assessments collected under section 7 would be used for (A) the payment of expenses incurred in administering the order, including administrative costs incurred by the Secretary after an order has been issued under this Act; and (B) the maintenance of a reasonable reserve.

Section 7(c)(2) provides that the total costs incurred by the Board in collecting assessments and employing staff in each fiscal year may not exceed 5 percent of the total assessments collected by the Board for such fiscal year.

Section 7(c)(3) provides that no funds collected through assessments under the order may, in any manner, be used for the purpose of influencing governmental action or policy, other than to recommend amendments to the order.

Section 7(d) authorizes the Board, with the approval of the Secretary, to invest funds collected through assessments authorized under this Act, pending disbursement for a plan or project, only in (1) an obligation of the United States; (2) a general obligation of a State or political subdivision thereof; (3) an interest-bearing account or certificate of deposit of a bank that is a member of the Federal Reserve System; or (4) an obligation fully guaranteed as to principal and interest by the United States.

Information

Section 8(a) provides that the order would require that each person making payment to a producer for cattle purchased from the producer, each person marketing beef directly from cattle produced by such person, and each importer of cattle, beef, or edible beef products must (1) maintain and make available for inspection such books and records as may be required by the order; and (2) file reports at the time, in the manner, and having the content prescribed by the order.

Section 8(b)(1) provides that the information referred to in section 8(a) would be made available to the Secretary to carry out this Act.

Section 8(b)(2) provides that in addition, the Secretary is authorized to use any information concerning payments to producers for cattle that is obtained under any other law to carry out this Act.

Section 8(c)(1) provides that, except as provided in section 8(c)(2) and 8(b)(3), information obtained under section 8(a) would be kept confidential by officers and employees of the Department of Agriculture.

Section 8(c)(2) provides that such information may be disclosed only (A) in a suit or administrative hearing involving the order with respect to which the information was furnished or acquired brought at the direction or on the request of the Secretary; or to which the Secretary or an officer of the United States is a party; and (B) if the Secretary considers such information to be relevant to such suit or hearing.

Section 8(c)(3) provides that nothing in section 8(c) prohibits (A) the issuance of a general statement, based on the reports of a number of persons subject to an order, or statistical data collected therefrom, if such statement or data does not identify the information furnished by any person; or (B) the publication, by direction of the Secretary, of the name of any person violating an order, together with a statement of the particular provisions of the order violated by such person.

Section 8(c)(4) provides that information obtained under this Act may be made available to an agency or officer of the United States only in connection with an action necessary to investigate compliance with, enforce, or otherwise carry out this Act.

Section 8(d) provides that a person who willfully violates section 8 would be, on conviction, (1) subject to a fine of not more than $1,000 or imprisoned for not more than 1 year, or both; and (2) if such person is an officer or employee of the Department of Agriculture or Board, removed from office.

Certification of organizations

Section 9(a) requires the Secretary to certify the eligibility of an organization to nominate producers from a State to serve on the Board under section 5(b)(1).

Section 9(b) provides that a cattle association or general farm organization of a State or unit would be eligible for certification under section 9(a) if the Secretary determines that such association or organization (1) has a total paid membership that is comprised of a majority of cattle producers in such State or unit or if the total paid membership represents at least such majority; (2) represents a substantial number of producers that produce a substantial number of cattle in such State or unit; (3) has a history of stability and permanency; and (4) has a primary or overriding purpose of promoting the economic welfare of cattle producers.

Section 9(c) requires the Secretary to base the certification of such association or organization on a factual report submitted by such association or organization.

Section 9(d) provides that if more than one State organization is certified in a State or unit, such organizations may meet to nominate producers from such State or unit to serve on the Board under section 5(b)(1).

Section 9(e) provides that the certification of an organization under this section is final.

Referendum

Section 10(a)(1) requires the Secretary for the purpose of determining whether the initial order would be continued, not later than 2 years after the issuance of the order (or any earlier date recommended by the Board), to conduct a referendum among persons who have been producers or importers during a representative period, as determined by the Secretary.

Section 10(a)(2) provides that an order would be continued only if the Secretary determines that the order has been approved by not less than a majority of the producers and importers voting in the referendum.

Section 10(a)(3) provides that if the continuation of an order is not approved by a majority of the producers and importers voting in the referendum, the Secretary would terminate (A) collection of assessments under the order not later than 6 months after the date of such determination; and (B) the order in an orderly manner as soon as practicable after such determination.

Section 10(b) requires the Secretary to be reimbursed from assessments collected by the Board for any expenses incurred in connection with a referendum conducted under this Act, other than expenses for salaries of employees of the Federal Government.

Section 10(c)(1) provides that a referendum under this Act would be conducted on a date determined by the Secretary.

Section 10(c)(2) provides that on such date, producers and importers would be given an opportunity to (A) establish their eligibility to vote in such referendum; and (B) vote in such referendum.

Section 10(c)(3) provides that such referendum would be conducted at county extension offices.

Section 10(c)(4) provides that on the request of a producer or importer, the Secretary would permit such producer or importer by mail to establish eligibility for and vote in such referendum.

Suspension and termination of orders

Section 11(a)(1) provides that after the initial referendum is conducted under section 10, on the request of a representative group at least 10 percent of persons who have been producers or importers during a representative period, as determined by the Secretary, the Secretary must conduct a referendum among persons who have been producers or importers during a representative period, as determined by the Secretary, to determine whether such producers and importers favor the termination or suspension of the order.

Section 11(a)(2) provides that an order would be continued only if the Secretary determines that the order has been approved by not less than a majority of the producers and importers voting in the referendum.

Section 11(a)(3) provides that if the continuation of an order is not approved by a majority of the producers and importers voting in the referendum, the Secretary would terminate (A) collection of assessments under the order not later than 6 months after the date of such determination; and (B) the order in an orderly manner as soon as practicable after such determination.

Section 11(a)(4) provides that such referendum would be conducted in accordance with section 10(b) and (c).

Section 11(b) requires the Secretary, if the Secretary finds that an order, or a provision thereof, obstructs or does not tend to effectuate the declared policy of this Act, to terminate or suspend the operation of such order or provision.

Enforcement

Section 12(a) authorizes the Secretary, if the Secretary believes that the administration and enforcement of this Act or an order would be adequately served by such procedure, following an opportunity for an administrative hearing on the record, to (1) issue an order to restrain or prevent a person from violating an order; and (2) assess a civil penalty of not more than $5,000 for violation of such order.

Section 12(b) provides that district courts of the United States are vested with jurisdiction specifically to enforce, and to prevent and restrain a person from violating, an order or regulation made or issued under this Act.

Section 12(c) provides that a civil action authorized to be brought under section 12 would be referred to the Attorney General for appropriate action.

Investigations

Section 13(a) authorizes the Secretary to make such investigations as the Secretary considers necessary (1) for the effective administration of this Act; or (2) to determine whether a person subject to this Act has engaged, or is about to engage, in an act that constitutes, or will constitute, a violation of this Act or an order, rule, or regulation issued under this Act.

Section 13(b)(1) authorizes the Secretary, for the purpose of such investigation, to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any records that are relevant to the inquiry.

Section 13(b)(2) provides that such attendance of witnesses and the production of such records may be required from any place in the United States.

Section 13(c)(1) authorizes the Secretary, in case of contumacy, or refusal to obey a subpoena, by any person, to invoke the aid of a court of the United States with jurisdiction over such investigation or proceeding, or where such person resides or does business, in requiring the attendance and testimony of such person and the production of such records.

Section 13(c)(3) provides that a failure to obey an order issued under section 13 by the court may be punished by such court as a contempt thereof.

Section 13(c)(4) provides that process in such case may be serve in the judicial district in which such person is an inhabitant or wherever such person may be found.

Preemption

Section 14 provides that nothing in this Act may be construed to preempt or supersede any other program relating to beef promotion organized and operated under the laws of the United States or any State.

Authorization for appropriations

Section 15(a) authorizes to be appropriated such sums as may be necessary for the Secretary to carry out this Act.

Section 15(b) provides that sums appropriated to carry out this Act would not be available for payment of an expense or expenditure incurred by the Board or the Committee in administering an order.

Effective date

Section 1831 provides that the amendment made by this subtitle would become effective on January 1, 1986.

TITLE XIX—GENERAL PROVISIONS

Subtitle A—National Commission on Agricultural Policy

Definitions

Section 1901 defines, as used in this subtitle, the terms "Commission" to mean the National Commission on Agricultural Policy established under section 1902; "Governor" to mean the chief executive officer of a State; and "State" to mean the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, or the Trust Territory of the Pacific Islands.

Establishment of Commission

Section 1902(a) establishes a National Commission on Agricultural Policy to study the structure, procedures, and methods of formulating and administering agricultural policies, programs, and practices of the United States.

Section 1902(b) requires that, in addition to the members referred to in section 1902(c), the Commission be composed of 15 members appointed by the President and selected in accordance with a specified procedure.

Under the selection procedure, the President would request Governors of States to nominate members representing individuals and industries directly affected by agricultural polices, including producers of major agricultural commodites or products in the United States; processors or refiners of U.S. agricultural commodities or products; exporters, transporters, or shippers of U.S. agricultural commodities or products; suppliers of agricultural equipment or materials to U.S. farmers; providers of financing or credit for agricultural purposes; and consumers of U.S. agricultural commodities or products. The Governor of a State could submit to the President a list of not less than two, nor more than four, nominees to serve on the Commission who represent the foregoing individuals and industries. The President would be required to appoint 15 individuals from a total of, to the extent practicable, not less than 60 individuals nominated by States to serve on the Commission. The President could appoint to the Commission not more than one individual nominated by a particular State, and not more than seven individuals of the same political party. If the President determines that the individuals nominated by States are not broadly representative of the individuals and industries specified above, the President may substitute not more than three other individuals to serve on the Commission who represent such individuals and industries.

Section 1902(c)(1) requires the chairmen and ranking minority members of the Senate and House agriculture committees to serve as ex officio members of the Commission and to have the same voting rights as the members of the Commission appointed under section 1902(b).

Section 1902(c)(2) authorizes the chairmen and ranking minority members to designate other members of the respective committees to serve in their place as members of the Commission.

Section 1902(d) requires a vacancy in the Commission to be filled in the manner in which the original appointment was made.

Section 1902(e) requires the Commission to elect a Chairman from among the non-Congressional members of the Commission appointed under section 1902(b).

Section 1902(f) requires the Commission to meet at the call of the Chairman or a majority of the Commission.

Study

Section 1903 requires the Commission to study the structure, procedures, and methods of formulating and administering agricultural policies, programs, and practices of the United States. The study would include the effectiveness of existing agricultural programs in improving farm income; the manner in which such programs may be improved to retain a family farm system of agricultural production; the effect of legislative and administrative changes in agricultural policy on planning and long-term profitability of farmers; the effect on farmers of the existing system and structure of formulating and implementing agricultural policy; the effect of national and international economic trends on United States agricultural production; the means of adjusting the agricultural policies, programs, and practices of the United States to meet changing economic conditions; potential areas of conflict and compatibility between the formulation of agricultural policy and long-term stability in policy and practices; changing demographic trends and the manner in which such trends affect agriculture and agricultural policy; and the role of State and local governments in future agricultural policy.

Reports

Section 1904(a) requires the Commission, not later than 12 months after the date of enactment of the bill, and each 12 months thereafter during the existence of the Commission, to submit an annual report to the President and Congress containing the findings and recommendations of the Commission with respect to the matters referred to in section 1903.

Section 1904(b) prohibits the Commission from commenting on legislation pending before Congress unless specifically requested to do so by the Chairman of a committee of Congress.

Administration

Section 1905(a) requires the heads of executive agencies, the General Accounting Office, the International Trade Commission, and the Congressional Budget Office, to the extent permitted by law, to provide the Commission with such information as the Commission may require in carrying out its duties and functions.

Section 1905(b) requires members of the Commission to serve without any additional compensation for work performed on the Commission. However, members of the Commission who are private citizens of the United States may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons serving intermittently in the Federal Government service under sections 5701 through 5707 of title 5, United States Code.

Section 1905(c) authorizes the Chairman of the Commission, subject to the availability of funds appropriated in advance and such rules as may be adopted by the Commission and without regard to the provisions of title 5, United States Code, governing appointments in the competitive service or the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, to appoint and fix the compensation of a director and such additional staff personnel as the Commission determines are necessary to carry out its duties and functions.

Section 1905(d)(1) requires the Secretary of Agriculture, on the request of the Commission, to furnish to the Commission such personnel and support services as are necessary to assist the Commission in carrying out its duties and functions.

Section 1905(d)(2) provides that, on the request of the Commission, the heads of other executive agencies and the General Accounting Office may furnish the Commission with such personnel and support services as the head of the agency or office and the

Chairman of the Commission agree are necessary to assist the Commission in carrying out its duties and functions.

Section 1905(d)(3) provides that the Commission is not required to pay or reimburse an agency or office for personnel and support services provided under section 1905.

Section 1905(e)(1) requires the Secretary, in accordance with section 12 of the Federal Advisory Committee Act, to maintain records of the disposition of any funds that may be available to the Commission, and of the nature and extent of activities of the Commission.

Section 1905(e)(2) provides that the Comptroller General of the United States is to have access to such records for purposes of audit and examination.

Section 1905(f) exempts the Commission from sections 7(d) (relating to pay rates for advisory committee members, staffs, and consultants), 10(e) (relating to who shall chair meetings of advisory committees), 10(f) (relating to who may call meetings of advisory committees), and 14 (relating to termination, renewal, or continuation of advisory committees) of the Federal Advisory Committee Act and sections 4301 through 4308 of title 5 (relating to performance appraisable), United States Code.

Authorization for appropriations

Section 1906(a) authorizes to be appropriated such sums as are necessary to carry out this subtitle.

Section 1906(b) requires the subtitle, to the maximum extent practicable, to be carried out using funds otherwise available to the Secretary of Agriculture for the expenses of advisory committees.

Termination

Section 1907 provides that the authority provided under this subtitle and the Commission are to terminate 4 years after the date of enactment of the bill.

Subtitle B—Agricultural Stabilization and Conservation

Local committees

Section 1910(a) amends section 8(c) of the Soil Conservation and Domestic Allotment Act to make a number of changes with respect to local and county committees provided for under that section.

Section 1910(a)(1) authorizes the county committee for a county, by majority vote, to petition the Secretary of Agriculture to change the number of local areas in the county. On such a petition, the Secretary must change the number of such areas, except that such change may not result in the number of local areas in a county exceeding the number of such areas in the county on December 31, 1980.

Section 1910(a)(2) deletes the requirement that elections for local committees be held annually. Elections would be held every 3 years as provided in the next paragraph.

Section 1910(a)(3) requires each member of a local committee to be elected for a term of 3 years. Each local committee would meet once each year and, at the direction of the county committee and with the approval of the State committee, such additional times during the year as may be necessary to carry out section 8(b) of the Soil Conservation and Domestic Allotment Act. The bill also provides that the Secretary may not provide compensation or payments to a member of a local committee under section 388 of the Agricultural Adjustment Act of 1938 for work performed at, or travel expenses incurred in attending, more than four meetings or such committee in any year. The meetings of a local committee must be held on different days of the year.

Section 1910(a)(4) specifies the duties of the local committees in each county. Such committees are (A) in a county in which there is more than one local committee, to serve as advisors and consultants to the county committee; (B) to periodically meet with the county committee and State committee to be informed on farm program issues; (C) to communicate with producers within their communities on issues or concerns regarding farm programs; (D) to report to the county committee, the State committee, and other interested persons on changes to, or modifications of, farm programs recommended by producers in their communities; and (E) to perform such other functions as are required by law or as the Secretary may specify. The Secretary is required to ensure that information concerning changes in Federal laws in effect with respect to agricultural programs and the administration of such laws are communicated in a timely manner to local committees in areas that contain agricultural producers who might be affected by such changes.

Section 1910(b)(1) specifies that the amendments made by section 1910 are to become effective on January 1, 1986, except that the amendments made by sections 1910(a)(2) and 1910(a)(3) (relating to elections and compensation of members of local committees) would not apply with respect to the term of office of any member of a local committee elected before Janaury 1, 1986.

Section 1910(b)(2) provides that if the number of local administrative areas and local committees in a county increases as a result of a change in the number of local administrative areas in the county, any member of a local committee in such county elected before Janaury 1, 1986, would serve the unexpired portion of any term commenced before the date of such increase as a member of the local committee for the administrative area in which such member resides.

County committees

Section 1911 amends section 8(b) of the Soil Conservation and Domestic Allotment Act to require the Secretary of Agriculture to utilize local and State committees as provided for in section 8(b) of such Act and as otherwise directed by law with respect to other programs and functions. The bill also authorizes the Secretary to use the services of such committees in carrying out other programs and functions of the Department of Agriculture.

Salary and travel expenses

Section 1912(a) amends section 388(b) of the Agricultural Adjustment Act of 1938 to require the Secretary of Agriculture to provide compensation to members of local and county committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act for work actually performed by such persons in cooperating in carrying out the Acts in connection with which such committees are used. The rate of compensation received by such persons for such work on the date of enactment of the bill would be required to be increased by 10 percent.

Section 1912(b) amends section 388 of the Agricultural Adjustment Act of 1938 to require the Secretary to make payments to members of local, county, and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act to cover expenses for travel incurred by such persons (including, in the case of a member of a local or county committee, travel between the home of such member and the local county office of the Agricultural Stabilization and Conservation Service) in cooperating in carrying out the Acts in connection with which such committees are used. Such travel expenses would be paid in the manner authorized under section 5703 of title 5, United States Code, for the payment of expenses and allowances for individuals employed intermittently in the Federal Government service.

Section 1919(c) provides that the amendments made by section 1919 become effective on January 1, 1986

Subtitle C—Other Provisions

Authorization for appropriations for Federal Insecticide, Fungicide, and Rodenticide Act

Section 1920 amends section 31 of the Federal Insecticide, Fungicide, and Rodenticide Act to authorize appropriations of $57,067,300 to carry out such Act for the period beginning October 1, 1985, and ending September 30, 1986, and such sums as may be necessary for the period beginning October 1, 1986, and ending September 30, 1987.

Grants for rural technology development centers

Section 1921(a) amends section 310B of the Consolidated Farm and Rural Development Act to add a new subsection (f).

New subsection (f)(1) defines the term "nonprofit institution" to mean an organization or institution, including an accredited institution of higher education, no part of the net earnings of which inures, or may lawfully inure, to the benefit of a private shareholder or individual.

New subsection (f)(2) authorizes the Secretary of Agriculture to make grants to nonprofit institutions for the purpose of enabling such institutions to establish and operate centers of rural technology development.

New subsection (f)(3) requires a nonprofit institution seeking a grant under subsection (f) to submit to the Secretary an application containing a plan for the establishment and operation by such institution of a center for rural technology development.

New subsection (f)(4) authorizes the Secretary to approve the application if the plan contains the following: (A) a provision that such center be located in a rural area of State: (B) a provision that the primary objective of such center is to improve the economic conditions of rural areas by promoting the development (through technological innovation and adoption of existing technology) and commercialization of new products that can be produced in rural areas, and new processes that can be utilized in the production of products in rural areas; (C) a description of the activities that such center will carry out to accomplish such objective, which may include the following: programs for technology research, investigations, and basic feasibility studies in any field or discipline for the purpose of generating principles, facts, technical knowledge, new technology, and other information that may be useful to rural industries, agribusinesses, and other persons in rural areas in the development and commercialization of new products and processes; programs for the collection, interpretation, and dissemination of existing principles, facts, technical knowledge, new technology, and other information that may be useful to rural industries agribusinesses, and other persons in rural areas in the development and commercialization of new products and processes; programs to provide training and instruction for individuals residing in rural areas with respect to the development (through technological innovation and adoption of existing technology) and commercialization of new products and processes; programs to provide loans and grants to individuals and small businesses in rural areas for purposes of generating, evaluating, developing, and commercializing new products and processes; and programs to provide technical assistance and advisory services to individuals, small businesses, and industries in rural areas for purposes of developing and commercializing new products and processes; (D) a descrpition of the contribution that activities of the center are likely to make to the improvement of economic conditions of the rural area in which such center is to be located; (E) a provision that such center, in carrying out such activities, seek, where appropriate, the advice, participation, expertise, and assistance of representatives of business, industry educational institutions, the Federal Government, and State and local governments; (F) a provision that such center consult with any college or university administering any program under title V of the Rural Development Act of 1972 in the State in such center is located and that such center cooperate with such college or university in the coordination of such activities and such program; (G) a provision that such center take all practicable steps to develop continuing sources of financial support for such center, particularly from sources in the private sector; and (H) a provision for the monitoring and evaluation of such activities by the institution operating such center and for the accounting of money received by such institution under subsection (f).

New Subsection (f)(5) requires that grants made under subsection (f)(2) be made on a competitive basis.

New Subsection (f)(6) requires the Secretary, in making such grants, to give preference to grant applications that provide for the establishment of centers for rural technology development that (A) will be located in rual areas that have few rural industries and agribusinesses; high level of unemployment; high rates of migration of people, businesses, and industries; and low levels of per capita income; and (B) will contribute the most to the improvement of economic conditions of rural areas.

Section 1921(b) provides that the amendment made by section 1921 would become effective on October 1, 1985.

User fees for reports, publications, and software

Section 1922 amends section 1121 of the Agriculture and Food Act of 1981 to authorize the Secretary of Agriculture to furnish, on request, copies of software programs, pamphlets, reports, or other publications, regardless of their form, including electronic publications, prepared in the Department of Agriculture in carrying out any of its missions or programs, and to charge such fees therefor as the Secretary determines are reasonable. The imposition of such charges must be consistent with section 9701 of title 31, United States Code. The bill also provides that all moneys received in payment for work or services performed, or for software programs, pamphlets, reports, or other publications provided, under section 1121 would be available until expended to pay directly the costs of such work, services, software programs, pamphlets, reports, or publications, and may be credited to appropriations or funded that incur such costs.

Basically, the bill expands the authority of the Secretary to collect and retain user fees for the provision of pamphlets, reports, or other publications. Previously, user fees were collected and retained only for pamphlets, reports, or other publications provided by the Economic Research Service or the Statistical Reporting Service. The amendment extends the authority to all offices and agencies of the Department of Agriculture. In addition, this section specifically includes software programs in the list of items for which a user fee may be charged and retained by providing office or agency. It also would allow the collection and retention of user fees for materials published electronically, as well as in traditional hard copy.

Viruses, serums, toxins, and analogous products

Section 1923(a) amends the Act of March 4, 1913 (commonly known as the Virus-Serum-Toxin Act) to expand the jurisdiction of such Act to make it unlawful for any person, firm, or corporation to ship or deliver for shipment in intrastate, as well as interstate, commerce any worthless, contaminated, dangerous, or harmful virus, serum, toxins, or analogous product intended for use in the treatment of domestic animals. This amendment would grant the Department of Agriculture authority to regulate animal biological products, even if they do not move across State lines.

Section 1923(b) amends such Act to expand the authority of the Secretary of Agriculture to make and promulgate rules and regulations to carry out the Act.

Section 1923(c) amends such Act to authorize the Secretary, in order to meet an emergency condition, limited market or local situation, or other special circumstance (including production solely for intrastate use under a State-operated program) to issue a special license under an expedited procedures on such conditions as are necessary to assure purity, safety, and a reasonable expectation of efficacy. The Secretary must exempt by regulation from the requirement of preparation pursuant to an unsuspended and unrevoked license and virsus, serum, toxin, or analogous product prepared by any person, firm, or corporation (1) solely for administration to animals of such person firm, or corporation; (2) solely for administration to animals under a veterinarian-client-patient relationship in the course of the State licensed professional practice of veterinary medicine by such person, firm, or corporation; or (3) solely for distribution within the State of production pursuant to a license granted by such State under a program determined by the Secretary to meet criteria under which the State (A) may license virus, serum, toxin, and analogous products and establishments that produce such products; (B) may review the purity, safety, potency, and efficacy of such products prior to licensure; () may review product test results to assure compliance with applicable standards or purity, safety, and potency, prior to release to the market; (D) may deal effectively with violations of State law regulating virus, serum, toxin, and analogous products; and (E) exercises the authority referred to in clauses (A) through (D) consistent with the intent of the Virus, Serum, Toxin Act of prohibiting the preparation, sale, barter, exchange, or shipment of worthless, contaminated, dangerous, or harmful virus, serum, toxin, or analogous products.

Section 1923(d) amends such Act to authorize employees of the Department of Agriculture to enter and inspect any establishment where any virus, serum, toxin, or analogous product is prepared (instead of only licensed establishments under such Act).

Section 1923(e) amends such Act to provide that the procedures of sections 402, 403, and 404 of the Federal Meat Inspection Act (relating to detentions, seizures, and injunctions, respectively) would apply to the enforcement of the Virus, Serum, Toxin Act with respect to any product prepared, sold, bartered, exchanged, or shipped in violation of such Act or a regulation promulgated under such Act. The provisions (including penalties) of section 405 of the Federal Meat Inspection Act would also apply to the performance of official duties under the Virus, Serum, Toxin Act.

Section 1923(e) also declared findings of Congress to the effect that the products and activities that are regulated under the Virus, Serum, Toxin Act are either in interstate or foreign commerce or substantially affect such commerce or the free flow thereof and regulation of the products and activities as provided in such Act is necessary to prevent and eliminate budens on such commerce and to effectively regulate such commerce.

Section 1923(f)(1) provides that except as provided in section 1923(f)(2), the amendments made by section 1923 become effective on the date of enactment of the bill.

Section 1923(f)(2)(A) provides that subject to section 1923(f)(2) (B) through (D), in the case of a person, firm, or corporation preparing, selling, bartering, exchanging, or shipping a virus, serum, toxin, or analogous product during the 12-month period ending on the date of enactment of the bill solely for intrastate commerce, or for exportation, such product would not after such date of enactment, as a result of its not having been licensed or produced in a licensed establishment, be considered in violation of the Virus-Serum-Toxin Act until the first day of the 49th month following the date of enactment of the bill.

Section 1923(f)(2)(B) provides that the exemption granted by section 1923(f)(2)(A) may be extended by the Secretary for a period up to 12 months in an individual case on a showing by a person, firm, or corporation of good cause and a good faith effort to comply with the Virus, Serum, Toxin Act with due diligence.

Section 1923(f)(2)(C) provides the exemption granted by section 1923(f)(2)(A) must be claimed by the person, firm, or corporation preparing such product by the first day of the 13th month following the date of enactment of the bill, in the form and manner prescribed by the Secretary, unless the Secretary grants an extension of the time to claim such exemption in an individual case for good cause shown.

Section 1923(f)(2)(D) provides that on the issuance by the Secretary of a license to such person, firm, or corporation for such product prior to the first day of the 49th month following the date of enactment of the bill, or the end of an extension of the exemption granted by the Secretary, the exemption granted by section 1923(f)(2)(A) would terminate with respect to such product.

Poultry inspection

Section 1924(a) amends section 17 of the Poultry Products Inspection Act to add a new subsection (d).

New subsection (d)(1) provides that, notwithstanding any other provision of law, all poultry, or parts or products thereof, capable of use as human food that are offered for importation into the United States must be subject to inspection, sanitary, quality, species verification, and residue standards applied to products produced in the United States, and must have been processed in facilities and under conditions that are at least equal to those under which similar products are processed in the United States.

New subsection (d)(2) provides that any such imported poultry article that does not meet such standards would not be permitted entry into the United States.

New subsection (d)(3) requires the Secretary of Agriculture to enforce subsection (d) through random inspections for such species verification and for residues and through random sampling and testing of internal organs and fat of carcasses for residues at the point of slaughter by the exporting country, in accordance with methods approved by the Secretary.

Section 1924(b) provides that the amendment made by section 1924 is to become effective 6 months after the date of enactment of the bill.

Confidentiality of information

Section 1925(a) provides that in the case of information furnished under a provision of law referred to in section 1925(d), neither the Secretary of Agriculture, any other officer or employee of the Department of Agriculture or agency thereof, not any other person may use such information for a purpose other than the development or reporting of aggregate data in a manner such that the identity of the person who supplied the information is not discernible and is not material to the intended uses of such information. The bill also prohibits disclosure of such information to the public, unless the information has been transformed into a statistical or aggregate form that does not allow the identification of the person who supplied particular information.

Section 1925(b) provides that in carrying out a provision of law referred to in section 1925(d), no department, agency, officer, or employee of the Federal Government, other than the Secretary of Agriculture, may require a person to furnish a copy of statistical information provided to the Department of Agriculture. The bill also provides that a copy of any such statistical information would be immune from mandatory disclosure of any type, including legal process, and would not, without the consent of the person who furnished the information, be admitted as evidence or used for any purpose in any action, suit, or other judicial or administrative proceeding. This subsection is intended to prevent the circumvention of the prior subsection by prohibiting the various executive agencies from utilizing their investigatory, subpoena, or other coercive authorities to secure the information directly from the information submitter.

Section 1925(c) provides that any person who publishes, causes to be published, or otherwise publicly releases information collected pursuant to a provision of law referred to in section 1925(d), in any manner or for any purpose prohibitied in section 1925(a), would be fined not more than $10,000 or imprisoned for not more than 1 year, or both.

Section 1925(d) specifies the provisions of law referred to in this section are—

(1) the first section of the Act entitled "An Act authorizing the Secretary of Agriculture to collect and publish statistics of the grade and staple length of cotton", approved March 3, 1927 (commonly referred to as the "Cotton Statistics and Estimates Act");

(2) the first section of the Act entitled "An Act provide for the collection and publication statistics of tobacco by the Department of Agriculture", approved January 14, 1929;

(3) the first section of the Act entitled "An Act provide for the collection and publication statistics of peanuts by the Department of Agriculture", approved June 24, 1936;

(4) section 203(g) of the Agricultural Marketing Act of 1946;

(5) section 526(a) of the Revised Statutes;

(6) the Act entitled "An Act providing for the publication of statistics relating to spirits of turpentine and resin", approved August 15, 1935;

(7) section 42 of title 13, United States Code; and

(8) section 4 of the Act entitled "An Act to establish the Department of Commerce and Labor", approved February 14, 1903. These are the basic statutes under which the Department of Agriculture gathers statistical information under a pledge that it will held confidential.

Weather and climate information in agriculture

Section 1926(a) declares the findings of Congress to the effect that (1) agricultural and silvicultural operations are vulnerable to damage from atmospheric conditions that accurate and timely reporting of weather information can help prevent; (2) the maintenance of current weather and climate analysis and information dissemination systems, and federal, state, and private efforts to improve these systems are essential if agriculture and silviculture are to avoid damage from atmopsheric conditions; (3) agricultural and silvicultural weather services at the Federal level should be maintained with joint planning betwen the National Oceanic and Atmospheric Administration and the Department of Agriculture; and (4) efforts should be made, involving user groups, weather and climate information providers, and Federal and State governments, to expand the use of weather and climate information agriculture and silviculture.

Section 1926(b) declares the policy of Congress to the effect that it is in the public interest to maintain an active Federal involvement in providing agricultural and silvicultural weather and climate information and that efforts should be made, among users and providers of this information, to improve use of this information.

ADMINISTRATION VIEWS

I.

The Administration of President Reagan has taken great interest in the farm programs. The President provided members of the Committee on Agriculture, Nutrition, and Forestry his views on the legislation the Committee was about to report in a letter addressed to the Chairman, dated September 10, 1985. The President's letter to Chairman Helms reads as follows:

> In writing the laws that will govern Federal farm programs in the coming years, I believe that we can find agreement on objectives to guide us:
>
> —Establishment of commodity price supports that allow export-dependent commodities to become competitive in international markets;
> —Gradual reductions in the level of income support each year;
> —Reductions in the dairy support price as long as surpluses exist;
> —A phase out of acreage reduction programs; and
> —Targeting of income benefits to legitimate family farm operations.
>
> In addition, we must develop agricultural policies that do not harm our overall fiscal policy. In this regard, the budget levels adopted by the House and Senate in the First Concurrent Resolution on the Budget should serve as the appropriate balance between the funding needs of farm programs and the need to reduce the deficit.
>
> The farm problem is as important as any challenge we face. We must, therefore, approach it with a spirit of cooperation and consensus. A way of life is at risk, one too precious to our national heritage to be the subject of politically-inspired machinations.
>
> I have asked Secretary John Block to renew the Administration's effort to arrive at a farm bill that will achieve the objectives outlines above. He will work with those in the Congress who share these objectives.

THE WHITE HOUSE,
Washington, September 10, 1985.

Hon. JESSE HELMS,
United States Senate,
Washington, DC.

DEAR JESSE: One of the most important issues facing the Congress this year is the writing of the 1985 Farm Bill. In this legislation, the Congress will have the opportunity to make the fundamental reforms necessary to assure long-term farm prosperity.

We are in a period of difficulty for America's farmers. Prices for the major crops are weak. Demand for exports has fallen as foreign suppliers fill markets once ours alone. Although the successful effort to control inflation has helped farmers greatly by putting an end to double-digit increases in the cost of fuel, fertilizer, and other supplies, at the same time it weakened many farmers financially by dampening inflation-fueled speculation that had been causing land prices to rise sharply.

Farming and ranching are hard work, maybe the hardest. And the strength of our farmers and ranchers has always been the strength of their hopes for the future, seeing a young son or daughter working the fields or tending the herd, hoping they will stay on the farm or ranch and be able to make a go of it.

Those hopes are threatened today. We hear that there is no future for our farmers and ranchers, only a faster or slower slide into failure.

Only by working together can we plant the seed of hope for America's agriculture community.

I look forward to signing a farm bill that provides hope, not measured doses of despair. But I must note that I am prepared to disapprove legislation that repeats the mistakes of the past.

We must work together to fulfill our responsibility to this nation's farmers.

Sincerely,

RONALD REAGAN.

II.

Agriculture Secretary John R. Block provided the Committee with the Administration's detailed assessment and recommendations on the Committee approved bill in a letter dated September 26, 1985, addressed to Chairman Helms. Secretary Block's letter reads as follows:

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, DC, September 26, 1985.

Hon. JESSE HELMS,
Chairman, Committee on Agriculture, Nutrition, and Forestry,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: Thank you for your request regarding the Department's position on the Committee-approved bill entitled, "The Agriculture, Food, Trade and Conservation Act of 1985", which was reported out of Committee last week.

As we both know, the development of a 1985 Farm Bill has been a long and arduous process. I have been encouraging the debate beginning with the Agricultural Summit in July 1983. At that time, I stated that agricultural policy had reached a critical point—a watershed period. I also stated that if appropriate agricultural policy is not developed in the 1985 Farm Bill, there could be irreparable damage to our farm and agribusiness economies, and thus the total economic standing of the U.S. Given the recent situation of bumper crops, low commodity prices and the overall depressed rural economy, I am convinced of that premise now more than ever.

Earlier this year, I forwarded to the Congress the Administration's farm legislation. That legislation contained the following objectives:

> A long-term consistent agricultural policy which will allow farmers to make realistic investment and production decisions.
>
> Increase U.S. competitiveness which allows farmers to effectively compete in international markets.
>
> Movement towards market orientation that allows farmers to respond to market signals, rather than responding to artificial support rates set by Government programs.
>
> Provides for a compassionate transition from our current programs to a policy of less government in the agricultural sector.
>
> Exercise fiscal restraint by providing income benefits to those most in need and reduce the budget deficit.

While the bill does contain some provisions that are market-oriented and contain sound policy principles, the current version of the bill violates many of the Administration's objectives.

Specifically, I would like to address the major provisions of the Committee-approved bill and provide you with the Administration's position and their potential economic impacts.

MAJOR PROVISIONS

Loan Rates.—The legislation does provide for authority to reduce loan rates by establishing them at 75–85 percent of the most recent 5-year average, but not more than 5 percent from the previous year's level. In addition, it provides discretionary authority for the Secretary to lower loan rates an additional 20 percent (the so-called Findley amendment) if the average market price is less than 110 percent of the loan rate. The Administration *supports* these provisions and commends the Committee in recognizing the need for U.S. agriculture to become more competitive in international markets.

Marketing Loans.—The Secretary is required to permit repayment of loans at the lower of the loan rate determined for the crop (prior to Findley amendment) and the higher of 70 percent of the loan rate or prevailing world market price. The Administration *opposes* mandating this authority but would not object to its provisions on a discretionary basis. Large budget outlays would be incurred if the loan contracts are paid back at less than the loan rate, despite the fact that a floor is placed on the marketing loan. In addition, payments resulting from the lower loan repayment level are exempt from the current $50,000 payment limitation. Together, with the portion of payments resulting from the Findley Amendment, almost 30 percent of all producer payments will be exempt from the payment limit for the 1986 crop.

Target Prices.—The Committee-approved bull freezes target prices for wheat, feedgrains, cotton and rice for four years. In addition, due to the tiering of the wheat target price, the effective target price is actually 12 cents above the current level of $4.38 per bushel. The Administration is adamantly *opposed* to these provisions. Freezing target prices at current levels for the 1986–90 crops is a perpetuation of past failed policies that will have serious consequences on the size of acreage reduction programs, farmers' production decisions both in the U.S. and abroad, foreign governments' interpretations of U.S. policies, and Government costs.

The prevailing argument used by some members of the Committee and others is that it is necessary to have target prices in order to maintain farm income. In other words, there are some who believe that high target prices will address both the farm income and farm credit situation. There is a serious misconception that much of agriculture benefits from income supports. About 90 percent of all direct Government payments for the 1984 programs went to wheat, feedgrains, cotton, rice, and dairy farms. Yet, these farms account for less than a third of total farm marketings. And, considering that overall only about 50 to 60 percent of these producers participated in the programs, 90 percent of farm program payments went to producers that account for less than 20 percent of farm marketings.

More importantly, of all producers who are experiencing both debt to asset ratios of 0.4 or more and have negative cash flow, only 47 percent actually participated in farm programs. As a result, only 17 cents our of each dollar spent for 1984 commodity programs went to producers who were under financial stress and therefore directly benefited from farm income support assistance payments. Other more targeted approaches are far more appropriate to aid this group.

Acreage Reduction Program.—Because target prices are frozen at high levels, incentives to expand production capacity will continue unabated. To contain this growth in production and stocks, extensive annual acreage reduction programs would be required. The magnitude of these reductions would be similar to those under a continuation of current programs, meaning that at least 45 million acres of grain, cotton and rice would likely be idled annually. This approach has had the effect in the past of openly inviting our competitors to expand production and take away our markets.

Marketing Quotas and Referendums.—The proposed legislation contains provisions to poll producers to determine support for a referendum and national marketing quota for wheat. The Administration is *opposed* to any form of mandatory supply controls. Mandatory controls will result in higher prices of wheat and render U.S. exports noncompetitive without large subsidies. Wheat acreage would have to be reduced about 50 percent to achieve desired trigger carryover levels. Import restrictions would have to be applied to processed products such as flour and bakery products in order to prevent cheaper foreign products from undercutting those made from expensive U.S. wheat. Expenditures for inputs—seed, energy, fertilizer, pesticides and machinery—would drop about $10 billion during the 1987-89 period.

Dairy.—The bill contains provisions which would allow the current support price ($11.60 per cwt.) to remain in effect until January 1, 1987. On that date, the support price must be reduced 50 cents per cwt. if the Secretary estimates that surplus removals of dairy products are projected to be 5 billion pounds or more in the next 12 months. On January 1, 1988, and thereafter, the support price must again be reduced if removals are at or in excess of 5 billion pounds. In addition, if the Secretary estimates surplus removals on January 1, 1988 and thereafter to be 10 billion pounds or more, the support price must be reduced $1.00 per cwt.

The Administration is supportive of this approach, but believes it is necessary that the legislation provide authority to reduce the support price in 1986 if surpluses continue to exist.

Presently, the combination of increased cow numbers, increased feeding, higher productivity, and lower feed costs are driving a strong expansion in milk production. U.S. milk production for the 1984/85 marketing year ending September 30 is projected at 139.0 billion pounds, exceeding the record level of 138.8 billion pounds in the 1982/83 marketing year. CCC purchases are projected to exceed $2 billion. More importantly, preliminary estimates for the 1985/86 marketing year indicate milk production will increase to 143.0 billion pounds and CCC purchases exceeding 13 billion pounds. This projection is based on maintaining the current support price of $11.60 per hundredweight throughout the 1985/86 marketing year. It is clear that with no adjustment in the support price during 1986, there will continue to be increased production, continued high levels of CCC purchases and excessive government costs.

Sugar.—The legislation extends the current program and would set the minimum loan rate for raw cane sugar at 18 cents per pound, the current level with upward adjustments for inflation and rising production costs. The Administration is *opposed* to an extension of current law for sugar.

This legislation would perpetuate a heavy burden on U.S. sugar consumers, industrial users, and refiners of raw sugar and would further penalize foreign exporters to the Untied States. High sugar prices also encourage the shift to lower-cost rival sweetners and provide manufacturers of sugar-containing products with a major incentive to relocate outside the Untied States taking the jobs with them.

Domestic market prices for raw sugar are currently about 21 cents a pound, far in excess of the world price of approximately 5 cents a pound. Even if the world price reflected the 1984 estimated average global production cost of 14 to 16 cents a pound for raw sugar, the current U.S. market price would still be 5 to 8 cents (24 to 38 percent) higher.

The Administration would support lowering the sugar support price each year over the next three years. This would provide sugar cane and beet producers with income support, while at the same time, addressing the concerns of sugar users.

Peanuts.—The Committee approved bill would extend the present peanut program with some modifications. The legislation would set the national poundage quota at estimated domestic edible, seed, and related uses, but in no case could the quota be less than 1.1 million tons. The legislation would set the 1986 quota price support level for domestic use equal to the 1985 level ($559 per ton) adjusted by the change in the cost of production. This price is currently estimated at $615 per ton—well above the estimated 1984 farm price of $506 per ton. The 1987-89 quota price support level is tied to changes in cost of production.

As a result, the legislation would substantially *increase* both the national poundage quota and the quota support level. Because *total* edible supplies are not considered in setting the national poundage quota, quota supplies would likely exceed demand in years with larger than normal year-end stocks. The bill would require forecasts of domestic edible use each year; if over-estimated, this would result in program costs to the Commodity Credit Corporation (CCC). The proposal would halt the marginal progress made toward market orientation through annual quota reductions under the 1981 Act by imposing a *floor* on the national poundage quota.

Finally, the proposal continues to penalize U.S. consumers of roasted and salted peanuts, and peanuts used in domestic products such as peanut butter and peanut candy. It has been estimated that the price premium on quota peanuts, compared with additional peanuts for export use, caused consumers to pay an additional $170-$200 million for peanuts used in domestic products during 1982-84. Moreover, this premium caused an estimated 14 percent increase in the price of peanut butter. As the spread between quota and additional peanut prices continues to grow larger than 1981-83, U.S. consumers will be penalized even further.

Wool.—The bill extends the current provisions for the wool and mohair program. In addition, it establishes a payment limit of $50,000 per person on the total amount of wool and mohair payments. The Administration supports the latter provision. In 1984, 0.6 percent of the total payees received more than $25,000 each, which accounted for one-third of *all* payments. A large number of these payees received more than $50,000.

Wool production continues to decline as support prices have increased faster than market prices, making the wool industry noncompetitive. The result is continued growth in budget outlays as price supports continue to exceed market-clearing levels. Thus, the Administration supports efforts to set the wool support price level based on past market prices.

Honey.—The legislation freezes the honey price support at the 1985 level of 65.3 cents per pound. For the 1987-91 crop years, the loan rate is established at 85 percent of the most recent 5-year average of farm prices or 50 cents per pound whichever is higher. In addition, the Secretary would be required to permit loans to be repaid at levels below the loan rate. Finally, the Secretary may provide deficiency payments to producers who forgo obtaining a loan in return for payment.

While the Adminstration is supportive of establishing price supports based on past market prices, we are opposed to mandating the use of marketing loans or providing deficiency payments to honey producers.

High price supports for honey have resulted in large takeovers of domestic honey by the CCC at a current cost of around $100 million annually. U.S. honey is no longer price competitive in world markets and can only become competitive in domestic and world markets if price supports are phased down to market-clearing levels.

Conservation Reserve.—The Committee-approved bill requires the implementation of a 25–30 million acre reserve which would retire erodible cropland. Contracts would range from 7–15 years and payments would be made with either cash or in-kind commodities. In addition, the legislation contains sodbuster and swampbuster provisions to prevent cultivation of highly erodible land and converted wetlands.

The Administration is very supportive of this provision but would prefer a program level of 20 million acres as originally proposed by the Administration.

Food Assistance Reserve.—A food assistance reserve is created which may have up to 500 million bushels of wheat and feedgrains, but not less than 200 million bushels of wheat for humanitarian needs. The current Farmer-Owned and Food Security Reserves would be repealed. The Administration *supports* these provisions.

$50,000 Payment Limitation.—The bill contains provisions that exempt the portion of payments made to producers due to a reduction in the loan level under the so-called Findley Amendment. It would also not include any gain realized by the lower loan repayment level at 70 percent of such loan rate. The Administration is opposed to these provisions. In 1984, 95 percent of all program payees received less than $25,000. However, 5 percent of all program payees received more than $25,000 and accounted for almost 40 percent of the total payments. As a result of these provisions, almost 30 percent of all producer payments would be exempt from the payment limit for the 1986 crop. The Government would incur potentially large budget exposure and provide additional income support to a very small group who already receive a disproportionate share of the total payments. We favor instead applying the $50,000 payment limitation to *all* payments.

Export Provisions.—In the area of commercial export activities, the mandatory authorization of various levels, including $1 billion for intermediate credits in FY 86–89, are inappropriate because they preclude the Department's ability to respond to changing market conditions. Furthermore, we believe that the present export credit authorities are adequate to meet our export objectives when coupled with price competitive commodities.

No new authority is needed for export bonus programs. The Department is currently implementing such a program over a three-year period using existing authority under the CCC Charter Act. At the minimum, Section 106 (a) (1) should be amended to make the authority for export bonus programs discretionary.

In the area of overseas food aid, we continue to strongly believe that we can best achieve our goals for the P.L. 480 Title I private sector local currency initiative by using the existing Title I staff and procedures rather than by reinstating local currency sales under this authority. This will save delays and costly duplication. The targets, such as those in this provision, often slow the process of signing Title I agreements and exporting commodities.

The Administration continues to strongly support the Food for Progress concept. However, we strongly believe it should be carried out through the existing P.L. 480 program structure.

Our final major concern is the establishment of a Special Assistant to the President for Agricultural Trade and Food Aid. Such a position is duplicative and will, inevitably, lead to confusion and unnecessary expense.

Food Stamps—The Food Stamp and Commodity Distribution provisions will enhance the operation of the food stamp and commodity distribution programs. In particular, the employment and training provisions adopted by the Committee will aid food stamp recipients in more quickly finding gainful employment. While the Department would have preferred a more extensive program, we regard the Committee's employment and training proposal as solid progress. Similarily, the strengthened error rate provisions will be a valuable mechanism to help reduce high food stamp error rates. Although we support the improvements in the error rate system in the final Committee bill, we prefer the error rate provisions passed by the House in H.R. 5151 and initially agreed to by the Committee, as a more positive approach to reducing food stamp errors. We also support the provision to simplify current procedures regarding State's standard utility allowances. The Committee bill is more equitable than current law since it will recognize the receipt of Low Income Energy Assistance payments in determining shelter expense deductions.

The Administration does not favor continuation of $50 million in administrative funding for the Temporary Emergency Food Assistance Progam (TEFAP). However, we recognize the Committee's requirement that States share TEFAP administrative costs as a reasonable compromise that will promote prudent management of the program.

Farm Credit.—The Administration proposes that all farm loans, except disaster emergency, be consolidated into a single program that would be phased into an all-guarantee program by fiscal year 1989. The transition would be made as follows:

FY 86: $2 billion insured, $2 billion guaranteed
FY 87: $1.5 billion insured, $2.5 billion guaranteed
FY 88: $1 billion insured, $3 billion guaranteed
FY 89: $4 billion guaranteed

We believe that insured loans should not be made to refinance long-term real estate debt and that new borrowers to the Farmers Home Administration (FmHA) will be better served by utilizing the guarantee program. The changes being made in the guaranteed loan regulations have the enthusiastic support of the private sector lending community, and the program will be used much more widely than in previous years.

In keeping with FmHA's mission as lender of last resort, the exception to this policy should be farmers whose current loans are with banks or Production Credit Associations (PCA's) that fail and who are "credit homeless".

Emergency loans should be made only in counties where crop insurance is not available and should be capped at $200 million a year for each of the four years.

COMMODITY PROGRAM COSTS

The commodity program provisions in the bill reported by the Committee has been estimated by USDA analysts to cost about $55 billion over the FY 86–88 period covered by the Congressional Budget Resolution and $85–$90 billion over the life of the bill FY 86–90. Mr. Chairman, I am grateful to you for your leadership in attempts to reduce government costs, though it is clear that virtually no attempt was made on the part of some Members to meet the budget mark of $35 billion. Rather, in the final actions prior to reporting the bill, *additions* to outlays were mandated through a four year target price freeze. Thus, the bill would be more costly than current law if it were enacted and allowed to operate unchanged through the 1989 crop year. The current law has averaged about $12 billion per year in price support spending and it was projected to average about $16 billion per year over the next four crop years. The bill reported by the Senate Agriculture Committee is projected to average $17–$18 billion over the same period.

PROPOSED ADMINISTRATION AMENDMENTS

In an effort to establish long-term sound agricultural policy that meets the objectives of the Administration, I will forward to the Senate the following amendments for consideration on the Senate floor:

Target Prices.—This amendment would freeze target prices for the 1986 crop year and provide for a 5 percent decline each year thereafter. This amendment will provide for a gradual transition to farmers to a more market-oriented farm program. The gradual reduction in target prices will reduce incentives for increased production and reduce the need for acreage reduction programs. As target prices are reduced, acreage reduction programs could be phased out over a short period of time. Lower target prices would also reduce incentives for foreign producers to maintain or expand production in competition with U.S. producers. Finally, this amendment would result in significantly lower budget outlays. Some $2.3 billion could be saved over the life of the bill if this amendment were adopted.

Wheat Referendum and Quotas.—This amendment would strike the language requiring the Secretary to conduct a producer poll to determine support for a referendum and national marketing quotas for wheat.

Dairy.—This amendment would require that on January 1, 1986, the support price must be reduced 50 cents per cwt. if the Secretary estimates that surplus removals of dairy products are projected to be 5 billion pounds or more in the next 12 months. The existing provisions of the dairy legislation would remain intact. With adoption of this proposal, CCC outlays would be more than $950 million less over the FY 86–90 period. Consequently, CCC purchases of dairy products would be 6 billion pounds less over the same period. Commercial use would expand by 3 billion pounds. Most importantly, it will send dairy producers and processors the necessary signal in 1986 that the surplus capacity needs to be reduced and milk production moved toward supply-demand balance.

Peanuts.—This amendment would phase out the current two-price peanut program—quota and additional price supports. Dur g this phase-out, the quota for domestic edible peanuts would be set at 800,000 tons in 1986, 600,000 tons in 1987, 400,000 tons on 1988, and eliminated for the 1989 crop. Correspondingly, price supports for *quota* peanuts would be reduced to $500 per ton in 1986, $480 per ton in 1987, and $460 per ton in 1988. The price for *additional* peanuts would be set at the discretion of the Secretary of Agriculture at a level not to result in any cost to the Government. After 1989, the Secretary of Agriculture would set one support price for all peanuts that would result in no Government losses.

This program would virtually eliminate CCC outlays compared with the average of $40 million per year over the past 10 years, reduce production cost since quota rent accounts for about 30 percent of the cost of production, and save peanut consumers over $200 million per year.

Sugar.—This amendment is aimed at a rational lowering of sugar support levels to bring them more in line with competitive world market conditions. The amendment would accomplish this by keeping the loan level for the 1985 crop at 18 cents a pound for raw sugar, then reduce the loan gradually by 1 cent per year through the 1988 crop, and holding the loan level constant for the duration of the bill. Thus, the loan level would be 18 cents a pound for the 1985 crop, 17 cents for the 1986 crop, 16 cents for the 1987 crop, and 15 cents for the 1988 and subsequent crops. In addition, it would put the sugar program on the same basis as other crops by eliminating transportation charges from the calculation of the market stabilization price. This amendment would require processors (borrowers) to pay the Government the transportation cost on raw sugar forfeited to the CCC, thereby reducing the effective market price by around 2.5 cents a pound.

With sugar consumption at 7 to 8 million tons a year, savings to sugar users and consumers would total $4.2 to $4.8 billion for the period 1985/86 through 1990/91. The 30 percent of U.S. households with the lowest incomes would benefit the most under this amendment as they spend about 35 percent of their gross income on food. Also, manufacturers of sugar-containing products would have less incentive to relocate abroad, particularly to Canada where tariffs are minimal and there is no quota on sugar imports, and U.S. employment would benefit.

Lower support levels would also correct the imbalance in U.S. sugar imports which have dropped to only 26 percent of total U.S. sugar use as a result of the growing isolation of the U.S. sugar market from international competition. Historically, U.S. imports have averaged 40 to 50 percent of our sugar needs. In addition, foreign exchange earnings from sugar exports are critical to the economic stability of many less developed countries, especially those in Latin America and the Caribbean that are highly dependent on revenues from sugar exports to the United States.

$50,000 Payment Limitation.—This amendment would place a $50,000 payment limitation on *all* direct payments made by the Commodity Credit Corporation to producers including payments due to lower loan rates or lower loan repayment levels. The number of producers affected by imposing this payment limitation on all direct payments is relatively small. Only 1 percent of the corn producers would be affected; 2 percent of the wheat producers;

20 percent of the cotton farmers; and 42 percent of the rice producers. However, over the period FY 86-88, nearly $1 billion could be saved through this proposal.

Reduce Farm Payment Acreage.—This amendment will reduce the acreage on which deficiency payments are made so that it does not exceed that acreage needed to meet demand and maintain reasonable carryover stocks. Deficiency payments will not be made on acreage used to produce surpluses. If farm payment acreage is reduced in this manner, about $6 billion could be saved from the deficiency payments in the Senate Committee bill as currently written. With the combination of a 1-year target price freeze, a total of $7.3 billion could be saved from the two amendments.

Wool.—This amendment would provide for authority to phase down price supports to market clearing levels over the life of the Bill.

Honey.—This amendment would also provide for authority to reduce the price support level to market clearing prices over time.

Mr. Chairman, with the adoption of these amendments, we will be able to formulate sound agricultural policy that will also exercise the necessary fiscal restraint.

In summary, if agriculture is to share in the economic recovery, we have an obligation to provide sound, long term agricultural policy. That means agriculture must regain its competitiveness in international markets and have policy tools that do not encourage excess production when the market place indicates otherwise. It also means providing income benefits but targeting them to most in need. Finally, the Federal government must, once and for all, reduce our budget deficits to provide relief to agriculture through lower interest rates, continued low inflation, and a moderation of the value of the dollar. Farmers deserve no less. Indeed, we have an obligation to them to accomplish that.

It is my sincere hope that we can work together towards an acceptable solution. I urge you and other members of the Committee and the Senate to complete action on the bill as soon as possible so that our Nation's farmers will be able to adequately plan for the 1986 crop.

Sincerely,

JOHN R. BLOCK,
Secretary.

COST ESTIMATE

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the Committee estimates that enactment of the Committee bill would result in costs to the Federal Government as shown in the following table:

SUMMARY OF ESTIMATED COSTS OF THE COMMITTEE BILL WITH AND WITHOUT PASSAGE OF A REFERENDUM

[Outlays, by fiscal year, in millions of dollars]

Item	1986	1987	1988	1989	1990	3 year	4 year	5 year
CCC without passage of referendum	11,569	17,016	13,044	11,944	11,091	41,629	53,573	64,664
CCC with passage of referendum	11,569	17,091	9,917	8,757	8,169	38,577	47,334	55,503

SUMMARY OF ESTIMATED COSTS OF THE COMMITTEE BILL WITH AND WITHOUT PASSAGE OF A REFERENDUM—Continued

[Outlays, by fiscal year, in millions of dollars]

Item	1986	1987	1988	1989	1990	3 year	4 year	5 year
Net interest—without passage	(1,530)	(1,986)	(1,845)	(1,460)	(1,567)	(5,361)	(6,821)	(8,388)
Net interest—with passage	(1,530)	(1,991)	(1,644)	(1,190)	(1,314)	(5,165)	(6,355)	(7,669)
Agricultural credit	2,732	1,773	1,025	(1,301)	(1,311)	5,530	4,229	2,918
Public Law 480	842	1,758	1,813	1,862	1,015	4,413	6,275	7,290
Food stamps and commodity distribution	12,547	13,040	13,523	14,015	NA	39,110	53,125	NA
Research, Extension, and other	1,490	1,805	1,849	1,831	1,749	5,144	6,975	8,724
Total without passage of referendum	27,650	33,406	29,409	26,891	10,977	90,465	117,356	NA
Total with passage of referendum	27,650	33,476	26,483	23,974	8,308	87,609	111,583	NA

The costs to the Federal Government are difficult to estimate for a number of reasons. The number of farmers participating in farm programs can vary greatly from year to year. Participation rates and final program compliance are largely dependent on the level of farm prices in a given year.

Further complicating these estimates are factors beyond the control of farmers or the Federal Government. Weather in both the United States and the world is a major factor. Weather affects production levels, world stocks, and prices for many commodities grown under domestic price support programs.

Increased program participation will also result in increased costs to the federal government. In past years, a majority of producers have not chosen to participate in many commodity programs. This has resulted in lower costs to the federal government than otherwise might have been the case. Producers would be expected to participate more heavily in the program authorized by this bill due to target prices that are projected to be significantly above market prices. However, participation would be reduced under the Committee bill should the Secretary require large reductions in the acreage that producers are allowed to plant in order to qualify for the program.

In addition, the possible use of a loan repayment level below the loan rate, will effectively lower the floor on prices that loan rates have traditionally afforded. Thus, the budget exposure to the Federal Government is a greater unknown than in the past. The Committee assumes that the Federal Government would not set the repayment rate so low as to increase outlays to excessive levels.

In accordance with the Congressional Budget Act of 1974, the Congressional Budget Office prepared the following cost estimate, which is in accord with the Committee's cost estimate:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 27, 1985.

Hon. JESSE A. HELMS,
Chairman, Committee on Agriculture, Nutrition and Forestry,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached revised cost estimate for the Agriculture, Food, Trade, and Conservation Act of 1985, as ordered reported by the Senate Committee on Agriculture, Nutrition and Forestry, September 19, 1985.

The estimate consists of four tables. Table 1 summarizes the total budget impact of the bill relative to current law (except in the case of the Commodity Credit Corporation (CCC), for which total spending is shown). Tables 2, 3, and 4 provide more detailed backup to Table 1 for the agricultural credit programs (Table 2), food stamp and related provisions (Table 3), and research, extension and other programs (Table 4).

Because of time limitations, we are unable to provide a detailed basis of estimate today. If you wish further details, we will be pleased to provide them.

With best wishes.

Sincerely,

RUDOLPH G. PENNER,
Director.

TABLE 1.—ESTIMATED COSTS OF THE AGRICULTURE, FOOD, TRADE, AND CONSERVATION ACT OF 1985

[By fiscal year, in millions of dollars]

	1986	1987	1988	1989	1990
DIRECT SPENDING AUTHORITY					
Commodity Credit Corporation Programs:					
Without referendum passage:					
Function 350:					
Estimated budget authority	11,569	17,016	13,044	11,944	11,091
Estimated outlays	11,569	17,016	13,044	11,944	11,091
Function 900:					
Estimated budget authority	−1,530	−1,986	−1,845	−1,460	−1,567
Estimated outlays	−1,530	−1,986	−1,845	−1,460	−1,567
With referendum passage:					
Function 350:					
Estimated budget authority	11,569	17,091	9,917	8,757	8,169
Estimated outlays	11,569	17,091	9,917	8,757	8,169
Function 900:					
Estimated budget authority	−1,530	−1,991	−1,644	−1,190	−1,314
Estimated outlays	−1,530	−1,991	−1,644	−1,190	1,314
Agricultural Credit: [1]					
Estimated budget authority	2,503	553	370	−1,389	−1,269
Estimated outlays	2,732	1,773	1,025	−1,301	−1,311
AUTHORIZATIONS OF APPROPRIATIONS					
Public Law 480:					
Functions 150:					
Estimated authorization level	85	1,841	1,811	1,869	1,926
Estimated outlays	842	1,758	1,813	1,862	1,015

TABLE 1.—ESTIMATED COSTS OF THE AGRICULTURE, FOOD, TRADE, AND CONSERVATION ACT OF 1985—Continued

[By fiscal year, in millions of dollars]

	1986	1987	1988	1989	1990
Agricultural Credit: [1]					
Estimated authorization level			104	28	126
Estimated outlays					
Food stamp and related provisions: [2]					
Function 600:					
Authorization ceiling	12,984	13,572	14,154	14,695	
Estimated authorization level	12,550	13,049	13,532	14,024	
Estimated outlays	12,547	13,040	13,523	14,015	210
Other: [3]					
Estimated authorization level	1,889	1,902	1,840	1,830	1,736
Estimated outlays	1,490	1,805	1,849	1,831	1,749
Total bill cost:					
Total without referendum passage:					
Estimated budget authority/authorization level	27,066	32,375	28,856	26,846	12,043
Estimated outlays	27,650	33,406	29,409	26,891	11,187
Total with referendum passage:					
Estimated budget authority/authorization level	27,066	32,445	25,930	23,929	9,374
Estimated outlays	27,650	33,476	26,483	23,974	8,518

[1] See table 2 for details.
[2] See table 3 for details.
[3] See table 4 for details.

TABLE 2.—ESTIMATED COSTS OF AGRICULTURAL CREDIT PROVISIONS

[By fiscal year, in millions of dollars]

	1986	1987	1988	1989	1990
AGRICULTURAL CREDIT INSURANCE FUND					
On-budget:					
Function 350:					
Estimated authorization level			104	28	126
Estimated borrowing authority	238	132	126	51	
Estimated outlays	134	103	199	112	119
Function 800:					
Estimated budget authority		−4	−6	−8	−7
Estimated outlays		−4	−6	−8	−7
Function 900:					
Estimated budget authority	−2	−286	−495	−632	−555
Estimated outlays	−2	−286	−495	−632	−555
Off-budget:					
Function 350:					
Estimated budget authority	2,265	696	721	−796	−704
Estimated outlays	2,600	1,946	1,304	−796	−869
Subtotal—ACIF:					
Estimated budget authority/authorization level	2,501	538	450	−1,357	−1,140
Estimated outlays	2,732	1,759	1,002	−1,324	−1,312
RURAL DEVELOPMENT INSURANCE FUND					
On-budget:					
Function 450:					
Estimated authorization level					
Estimated borrowing authority					−2
Estimated outlays	−2	−1	−1	27	2
Function 800:					
Estimated budget authority		(1)	(1)	(1)	(1)
Estimated outlays		(1)	(1)	(1)	(1)

TABLE 2.—ESTIMATED COSTS OF AGRICULTURAL CREDIT PROVISIONS—Continued

[By fiscal year, in millions of dollars]

	1986	1987	1988	1989	1990
Function 900:					
Estimated budget authority			−2	−4	−4
Estimated outlays			−2	−4	−4
Off-budget:					
Function 450:					
Estimated budget authority	2	15	26		3
Estimated outlays	2	15	26		3
Subtotal—RDIF:					
Estimated budget authority/authorization level	2	15	24	−4	−3
Estimated outlays		14	23	23	1
Total agricultural credit provisions:					
Estimated budget authority/authorization level	2,503	553	474	−1,361	−1,143
Estimated outlays	2,732	1,773	1,025	−1,301	−1,311

[1] Less than $500,000.

TABLE 3.—ESTIMATED COSTS OF TITLE XIV—SUBTITLE A—FOOD STAMPS [1]

[By fiscal year, in millions of dollars]

	1986	1987	1988	1989
BUDGET RESOLUTION BASELINE				
Food Stamps:				
Estimated authorization level	11,804	12,339	12,869	13,358
Estimated outlays	11,801	12,330	12,860	13,349
Nutrition assistance for Puerto Rico:				
Estimated authorization level	863	902	940	979
Estimated outlays	863	902	940	979
SPENDING CHANGES UNDER TITLE XIV—SUBTITLE A				
Expand definition of disability	1	1	1	1
Change treatment of lump-sum payments	−3	−5	−5	−5
Exclude all energy assistance from shelter deduction	−33	−65	−67	−69
Count JTPA earnings, payments, and allowances as income	−40	−41	−42	−43
Strengthen work requirements	4	4	2	6
Provide information at Social Security Offices	1	1	1	1
Authorize collection of agency-caused overpayments through allotment reduction	−9	−10	−11	−12
Increase error rate sanctions			−41	−38
Fund nutrition assistance for Puerto Rico at $825 million	−38	−77	−115	−154
Total change from baseline	−117	−192	−277	−313
Title XIV—Subtitle A totals:				
Estimated authorization level	12,550	13,049	13,532	14,024
Estimated outlays	12,547	13,040	13,523	14,015

[1] Subtitle A of title XIV reauthorizes and amends the Food Stamp Act of 1977 for fiscal years 1986–89.

TABLE 4.—ESTIMATED COST OF OTHER AUTHORIZATIONS FOR APPROPRIATION

[By fiscal year, in millions of dollars]

	1986	1987	1988	1989	1990
Resource conservation (Function 300):					
Estimated authorization level	35	35	20	5	5
Estimated outlays	32	35	21	6	5
Research extension and teaching (Function 350):					
Estimated authorization level	1,721	1,731	1,731	1,731	1,731
Estimated outlays	1,347	1,634	1,729	1,731	1,731

TABLE 4.—ESTIMATED COST OF OTHER AUTHORIZATIONS FOR APPROPRIATION—Continued

[By fiscal year, in millions of dollars]

	1986	1987	1988	1989	1990
Temporary Emergency Food Assistance Program (Function 350):					
Authorization level	50	50			
Estimated outlays	40	50	10		
Needy Family Program (Function 600):					
Estimated authorized level	57	59	61	64	
Estimated outlays	45	59	61	64	13
Commodity Supplemental Food Program (Function 600):					
Estimated authorization level	26	27	28	30	
Estimated outlays	26	27	28	30	
Total other authorizations:					
Estimated authorization level	1,889	1,902	1,840	1,830	1,736
Estimated outlays	1,490	1,805	1,849	1,831	1,749

REGULATORY IMPACT EVALUATION

In compliance with subsection 11(b) of Rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact associated with the implementation of the bill, as reported.

The bill is, for the most part, an extension of current provisions of law. In general, it is not a regulatory measure in the sense of establishing a comprehensive scheme of regulatory requirements that must be adhered to be select segments of the economy. This bill will result in certain specific regulatory requirements which must be met by people who receive benefits under the legislation. Any Government program which provides financial assistance must have clearly defined regulatory guidelines and a certain amount of paperwork to insure that the taxpayers' money is efficiently and effectively disbursed. This assurance that funds are properly spent is especially necessary in this era of fiscal constraint. Participation by farmers in the majority of programs affected by this legislation is voluntary. Those who decide to participate, and thereby become eligible for Government benefits, will be subject to a certain amount of regulation.

The most notable new requirements of a regulatory nature contained in this legislation are new restrictions on the payment of farm program benefits to producers who fail to use adequate conservation practices on highly erodible land, including conversion of such land to crop production. Similar provisions apply to conversion of wetlands to crop production. These provisions do not preclude producers from using their land as they wish, it only adds to the requirements necessary to qualify for certain Government benefits.

Other new provisions include a long-term conservation reserve to retire erodible cropland from production, new farm credit and export assistance programs. Wheat producers would also be given an opportunity to vote on whether or not to be given additional price and income support protection during the period 1987 through 1989 under a mandatory marketing quota program. If approved by the producers, new regulatory requirements would be imposed limiting quantities of wheat marketed by each producer. If not approved, the wheat program like most other commodity support programs would remain voluntary. Farmer-owned grain reserve programs would be repealed. New mechanisms would tie price support loan levels more closely to market prices and special provisions would allow the repayment of loans at less than the full level when market prices are below loan levels. Determinations of base acreages on farms in programs for cotton, rice and other crops would be revised as well.

ECONOMIC IMPACT

This bill was formulated by the Committee at a time when American agriculture as a whole faces the greatest economic and financial stress encountered in several decades. Farm prices and incomes are depressed. Exports of farm products have declined substantially since 1981 as unexpectedly large gains in the foreign exchange value of the dollar have combined with high price support loan rates to make U.S. commodities less competitively priced on world markets. Increased foreign production, unfair trade practices by some competitors, and other factors have further eroded export earnings upon which wheat, feed grain, soybean, cotton, rice, and other producers are heavily dependent.

Depressed prices and income have combined with high real interest rates to reduce the value of farm assets and to increase the costs of servicing the large debts accumulated by many farmers during the inflationary 1970's. A significant number of farm and ranch producers with large debts are under severe stress. Many financial institutions and nonfarm businesses directly or indirectly dependent upon agriculture are also under stress.

As exports and market prices declined over the past 4 years, increasing surplus stocks have accumulated in Government warehouses under provisions of the price support loan programs. Deficiency payments to farmers to compensate for the difference between legislated target prices and market prices have mushroomed. The costs of Government farm programs over the past 4 years have risen many times over the levels expected under even the most pessimistic conditions envisioned when the Agriculture and Food Act of 1981 was formulated. Even these record expenditures by the Government failed to prevent significant declines in overall farm income.

Record budget deficits by the Federal Government have, according to many, contributed to the high real interest rates and strong dollar which are two of the primary causes of the current economic difficulties faced by agricultural producers and businesses. The Committee is aware of the importance of responsible fiscal policy to the fundamental economic health of the farm sector. It has attempted to formulate this legislation in a manner which will address the critical economic difficulties of our food and fiber producers while at the same time limiting Government costs.

This legislation will provide for resumed growth in exports. It permits price support levels for major export crops to be adjusted in accordance with market prices to allow for U.S. commodities to be more competitively priced on the world market. It expands programs to directly assist export expansion through the provision of credit and other measures. Finally, it authorizes measures to assist the Government in assuring reduction in barriers to fair trade imposed by others.

A long-term conservative reserve is authorized to remove several million acres of highly erosive cropland from production. This will reduce serious soil erosion and water pollution problems as well as help to reduce surplus production. Combined with other new and strengthened conservation measures, significant economic and environmental benefits should be provided with limited costs to the taxpayers.

Research, extension and educational programs to develop and transfer the techniques to maintain American farmers' technological competitive advantages in world markets and to enhance profitability through reduced production costs are also provided.

Deficiency payments and other provisions are designed to provide a safety net of income support to producers which will allow producers to adjust to the realities of a more competitive economic environment without exacerbating the current financial stress. New credit programs will directly assist financially distressed farmers to adjust to the new economic environment in an orderly manner.

Since only about 30 percent of consumers' retail food expenditures are due to farm prices, any changes in farm prices induced by this legislation will have only minor effects on the price of food to consumers. Many commodities such as fruit and vegetable crops in addition to livestock (aside from dairy cattle and sheep) and poultry are not directly affected by the price support provisions of this bill. This further limits the potential effects on consumer food prices.

Producers of these nonprogram commodities will be indirectly affected through impacts on feed prices and supplies and the profitability of alternative enterprises. Research, credit and other programs will also benefit these producers.

Future economic conditions in agriculture are highly uncertain as crop supplies are dependent on the vagaries of the weather, as well as disease and pest outbreaks, and wide demand fluctuations on the world market. For this reason, flexibility is provided to the Secretary of Agriculture to deal with future contingencies. At the same time, target prices and other measures are provided to cushion the economic impact to producers resulting from extreme fluctuations in prices and crop insurance programs are provided to limit losses due to weather and other problems.

Further economic effects of this legislation are described under each title below.

TITLE I—AGRICULTURAL EXPORTS AND PUBLIC LAW 480

Subtitle A—Agricultural Exports

Export Promotion and Market Development Programs

This subtitle amends and, in some cases, expands existing authorities of the Department of Agriculture to conduct export credit, barter, payment-in-kind, and related programs for U.S. agricultural commodities. For some programs, targets for annual program activity are also established.

For intermediate-term export credit, section 101 of this title amends section 4(b) of the Food for Peace Act of 1966 to authorize credit guarantees in addition to direct credit. It also broadens the goals set forth in existing authority for intermediate-term export credit to include general export promotion for U.S. agricultural commodities. Section 101 directs that the Commodity Credit Corporation (CCC) is to make available intermediate-term direct credit or credit guarantees of not less than $500 million in fiscal year 1985 to the extent practicable; not less than $1.0 billion for each of the fiscal years 1986 through 1988; and not more than $1.0 billion for each of the fiscal years 1980 through 1991. Because the Department of Agriculture has not made availabe any intermediate-term export credit in recent years, these targets represent a substantial increase for the Department's export promotion and credit activities.

Section 102 directs that CCC shall make available not less than $5.0 billion of short-term export credit guarantees for reach of the fiscal years 1986 through 1989. This level is consistent with that authorized for export credit guarantees in both fiscal years 1985 and 1986 and therefore will result in no significant change in the Department's current activities in this area.

Section 103 amends section 4(d)(6) of the Food for Peace Act of 1966 to extend the authorization for the Export Credit Revolving Fund to 1989. The fund was originally authorized in the Agriculture and Food Act of 1981, although funds have never been appropriated for it. The extension of authority for establishment of the fund as provided for in this title continues current discretion on the question of future funding.

Section 104 directs the Secretary of Agriculture to provide targeted export assistance for U.S. agricultural commodities or products thereof which have been adversely affected by price subsidies, credit subsidies, or unfair marketing arrangements of trading practices used by competitor exporting countries. Priority for this assistance is to be provided for those commodities or products for which there has been a favorable decision under section 301 of the Trade Act of 1974. The assistance to be provided for this purpose shall be not less than $325 million of CCC funds or an equal value of CCC-owned commodities for each of the fiscal years 1986 through 1988 and in whatever amounts are deemed necessary for each of the fiscal years 1989 through 1991. Because this assistance will be provided through programs already authorized to be carried out by CCC or the Department, this provison provides no new program authority. However, the level of assistance to be provided would be an expansion in Department activities over those in recent years.

Section 105 directs the Secretary to sell for export not less than 150,000 metric tons of CCC-owned dairy products for each of the fiscal years 1986 through 1988. These sales are to be made through existing authorities; they would represent a modest expansion of Department activities in this area.

Section 106 directs the Secretary of Agriculture to formulate and carry out a program under which CCC-owned commodities or products are provided to U.S. exporters, users, and processors, and foreign purchasers at no cost to encourage the development, maintenance, and expansion of export markets for U.S. agricultural commodities. In addition, the Secretary is authorized to make green dollar export certificates available to commercial exporters of U.S. agricultural commodities and their products. These certificates may be redeemed by exporters for commodities owned by CCC. The Secretary of Agriculture is required to use $2.0 billion of CCC-owned commodities to carry out this program during the period fiscal year 1986 through 1988. Because the Department of Agriculture is presently implementing an Export Enhancement Program and intends to make available $2.0 billion of CCC-owned commodities through the program during the next 3 years, this section should not require substantial, new activities by the Department.

Section 111 amends section 4(h) of the CCC Charter Act and section 310 of Public Law 480 to strengthen existing authority for the bartering of CCC-owned commodities and to encourage the use of that authority. It also directs that CCC shall, to the maximum extent practicable, barter CCC-owned commodities to secure petroleum products overseas for placement in the Strategic Petroleum Reserve. CCC is not authorized reimbursement for any petroleum products transferred to the reserve. This section could result in expanded barter activities by the Department of Agriculture. In recent years, the Department has carried out only limited barter arrangements and only with the Government of Jamaica.

These various sections are intended to promote and facilitate the export of U.S. agricultural commodities. While it is not possible to estimate what the precise impact of these various provisions on U.S. exports will be, some expansion in overseas sales is expected. To the extent additional exports sales are achieved, the potential exists for greater economic activity in the farm sector and general economy. U.S. farmers, input suppliers, elevator operators, transport firms, exporters, and processors, would be affected. Impact on food prices to consumers is not likely to be significant due to the fact that commodity prices constitute only a small proportion of food cost to consumers.

Over the longer term, if these provisions contribute to re-establishing U.S. markets and in building new demand for U.S. farm products, more of the U.S. productive capacity could be dedicated to cash sales abroad. Under current circumstances, a significant portion of the productive capacity of U.S. agriculture is either deliberately idled by Government programs or is engaged in the production of surpluses which are costly to U.S. taxpayers.

Those specific provisions which result in exports from CCC stocks will reduce Government storage and interest costs for carrying those stocks. Lower CCC stocks could increase the potential for upward movement in U.S. commodity prices. At the same time, making commodities available for CCC stocks will result in realized losses for the Corporation since CCC investment costs in those commodities would not be recovered. Restoration of CCC borrowing authority through a Congressional appropriation will be required.

These provisions may result in certain regulatory requirements which must be met by those who participate in these programs; however, program participation for both exporters and importers is voluntary. As with any Government program which provides financial assistance, this program must have clearly defined regulatory guidelines and a certain amount of paperwork to ensure that taxpayers' money is efficiently and effectively used.

These provisions will result in some additional duties and responsibilities for personnel of the Department of Agriculture, but it is expected these will be handled by existing staff. Only limited increases in administrative costs are expected to result.

Cargo preference

Section 112 clarifies the applicability of cargo preference requirements for agricultural export programs for the Department of Agriculture. It provides specific exemption from cargo preference requirements for the following programs: export enhancement and similar programs in which bonus commodities are provided to develop, maintain, or expand overseas markets for U.S. agricultural commodities; the CCC blended credit program; the CCC short-term direct credit and credit guarantee programs; and other programs undertaken to promote the export of U.S. agricultural commodities if it is determined that such programs are necessary for the United States to remain competitive in international trade. Cargo preference requirements will continue to apply to all commodities exported under current authority provided in Public Law 480 and section 416 of the Agricultural Act of 1949.

These provisions will not greatly alter current Department of Agriculture export programs and practices. The CCC blended credit program will be the most affected as the provision could result in a resumption of the program. The program has been suspended since February 26, 1985, as a result of a ruling by the U.S. District Court for the District of Columbia that cargo preference requirements are applicable to the blended credit program. However, because no funding for this program is presently expected in fiscal year 1986 and funding for future years is uncertain, the practical effect of this provision is uncertain. Other export programs currently being administered by the Department of Agriculture are expected to continue unchanged.

International trade policy, embargo, and miscellaneous provisions

The remaining provisions of Subtitle A of this title are largely concerned with policy and procedural questions related to international agricultural trade negotiations and the removal of barriers to agricultural trade. These provisions will result in only minor changes in current policy and practices in this area. To the extent these provisions contribute to an expansion of U.S. agricultural exports, their impact would be similar to that described above.

Subtitle B—Public Law 480 and Related Programs

Public Law 480 foreign currency sales

Section 121 of this title amends Section 101 of Public Law 480 to authorize sales of U.S. agricultural commodities for foreign currencies at not less than the higher of 25 percent of all title I sales or 500,000 metric tons, and not more than 50 percent of all title I sales. Authorization is provided to the President to lower these annual minimum levels for foreign currency sales during the period fiscal year 1986 through 1988 under certain conditions which are specified in this provision. For countries participating in title I foreign currency sales, the Secretary of Agriculture is authorized to enter into agreements with financial intermediaries to lend to them the foreign currencies accruing from title I sales. The financial intermediaries must agree to use the foreign currencies to make loans to private individuals, cooperatives, corporations, or other entities within the developing country for the purpose of financing private enterprise investment, private enterprise facilities which will increase markets and consumption of U.S. agricultural commodities, and private enterprise support of self-help measures and projects. The financial intermediaries shall repay the loan, plus accrued interest, in such a manner as will permit the conversion of the foreign currency to dollars.

This provision constitutes a major change for the Public Law 480 Title I program which has not made foreign currency sales to recipient countries since 1971. Enactment of this provision will require the adoption of regulatory requirements applicable to certain program participants. This will affect primarily the financial intermediaries overseas which would service the foreign currency loans. Such regulations are needed to ensure that the foreign currencies to be loaned by the intermediaries comply with the legislative guidelines for their use. Program participation by these intermediaries would be voluntary.

Existing Public Law 480 title I program regulations which apply to the initial sales of the commodities by U.S. suppliers and to the transportation of the commodities to recipient countries should not require substantial change as a result of this provision.

This provision should not have a significant economic impact on the U.S. agricultural sector or economy as a whole as it is expected to be carried out with existing Public Law 480 Title I resources. Thus, no increase in U.S. exports will necessarily result from enactment of this provision. Economic impact may be possible in recipient countries to the extent these activities contribute to the growth of private sector enterprise.

This provision will result in an added workload for employees of the Department of Agriculture and possibly other Federal agencies. Depending upon the volume of foreign currency loans which are made, some modest expansion in staff may be required. Some increase in administrative costs could also result.

Public Law 480 title II donations

Sections 122 to 124 of this title will result in a number of changes in the Public Law 480 title II donations program. Section 122 provides for an increased annual minimum tonnage of 1.9 million metric tons (mmt) for the title II program in both fiscal years 1986 and 1987. In fiscal year 1988, the minimum tonnage will decrease to 1.7 mmt. Section 123 directs that at least 75 percent of the commodities distributed annually in title II nonemergency programs would be in the form of processed or fortified or bagged commodities. Section 124 provides that guidelines for the sale of Title II commodities by private voluntary agencies and cooperatives shall provide for the sale and use of local currencies of not less than 5 percent of total Title II nonemergency donations in each fiscal year.

These provisions could result in a slight increase in total title II donations, although recent annual tonnages have generally been in excess of the minimum tonnages provided in the law. Moreover, these tonnages are determined to a great extent by annual appropriations and the export prices for the commodities to be donated. The provision requiring a minimum annual level of processed, fortified, or bagged commodities for nonemergency donations is expected to result in increased economic activity for the businesses providing these services.

These provisions are not expected to require a substantial change in program regulations as they are primarily aimed at modifying the level of activities already being carried out. Similarly, these provisions are not expected to result in substantially higher administrative costs or personnel requirements.

Miscellaneous Public Law 480 provisions

Section 125 of this title amends section 302(c) of Public Law 480 to reduce the annual minimum target for title III Food for Development agreements from 15 to 10 percent of all title I agreements signed during any fiscal year. This provision is expected to have neither an economic nor a regulatory impact as the overall level of Public Law 480 title I commodity shipments will not be affected. While some impact is possible in recipient countries, it would not be substantial because this provision applies only to a minimum annual level for title III agreements. No overall limit on title III agreements will result, and no qualified country will be precluded from submitting a title III proposal for consideration by the U.S. Government.

Section 126 extends the P.L. 480 program authorization through December 31, 1989. That authorization presently expires December 31, 1985. The P.L. 480 program has a beneficial impact for both the United States and recipient countries. During fiscal year 1986, it is expected that approximately 7.4 mmt of commodities with a value of over $1.4 billion will be exported through this program. Because these commodities are being provided to developing countries, it is generally assumed the bulk of these exports would not occur in the absence of the program. U.S. farmers, input suppliers, elevator operators, transport firms, exporters, and processors are all affected. In addition, the program supports agricultural market development activities overseas of benefit to the U.S. agricultural sector. Recipient countries benefit from the food assistance being provided, the balance of payments support they receive, and the contributions to economic development the assistance is designed to provide.

This provision is not expected to have a substantial regulatory impact as it maintains current activities. Program participation is voluntary.

Section 416 commodity donations

Section 127 of this title amends section 416(b) of the Agricultural Act of 1949 which provides authority to the Secretary of Agriculture to donate CCC-owned commodities overseas. Commodities eligible for donation overseas shall include those acquired by CCC through its price support operations. Annual section 416 donations to be distributed by private voluntary agencies, cooperatives, and the World Food Program would not be less than 400,000 metric tons per year unless there were an insufficient number of requests from those organizations to meet that target or restriction on donations, such as usual marketing requirements and storage and disincentive determinations, to prevent achieving that minimum. Multiyear programming of section 416 commodities is authorized and sales and barter of section 416 commodities are authorized for certain specific purposes.

This provision should result in an expansion of annual Section 416 donations which are presently expected to be 150,000 metric tons in fiscal year 1985; and while only dairy products, wheat, and rice are presently eligible for donation, this provision will expand that eligibility to all CCC-owned commodities acquired through its price support operations. U.S. farmers, transport firms, processors, and exporters could be affected by enactment of this provision.

CCC stocks will be reduced which should in turn reduce Government storage and interest costs for carrying those stocks. Increased Section 416 donations will add to the realized losses of CCC as the Corporation's investment costs in those commodities will not be recovered. Restoration of CCC borrowing authority through a Congressional appropriation will be required.

This provision should not result in any substantive changes in regulatory requirements as the donations authority is already in place and is being used. Program participation by private voluntary agencies and cooperatives is voluntary.

This provision will result in some additional workload for personnel of the Department of Agriculture and Agency for International Development. However, it is expected this will be handled largely by existing staff. Some increase in administrative costs will result.

Food for Progress

Section 128 authorizes a new Food for Progress program. The Secretary of Agriculture is authorized to make commodities acquired by CCC available to carry out agreements entered into by the President in support of countries that have made commitments to introduce private free enterprise agricultural policies to achieve long-term agricultural development. Multiyear Food for Progress agreements are authorized. The program is authorized to operate during the fiscal year 1986 through 1989 period during which not more than 500,000 metric tons of commodities may be furnished annually to meet Food for Progress commitments. CCC is authorized to purchase commodities to satisfy Food for Progress commitments if CCC stocks are insufficient for those purposes. The Food for Progress program will be carried out through the National Security Advisor to the President; personnel from the Department of Agriculture may assist in implementing the program.

This program should result in a modest expansion in U.S. agricultural exports and a slight reduction in CCC-owned stocks. U.S. farmers, transport firms, processors, and exporters will be affected, as well as the agricultural sectors in recipient countries. To the extent the program results in assisting agricultural development overseas, the general economies of the recipient countries should benefit as well.

Similar to section 416 donations, this provision should reduce Government storage and interest costs for CCC held commodities. Realized losses of the Corporation will increase requiring a Congressional appropriation to restore CCC borrowing authority.

Some regulatory impact will occur which will primarily affect the processors, exporters, transport firms, and recipient countries which participate in the program. Program participation is voluntary.

This program will result in new duties and responsibilities for the staff of the National Security Advisor to the President, the Department of Agriculture, and other Federal agencies. Some expansion in staff may be required and some increase in the administrative costs of these agencies will result.

TITLE II—DAIRY

The dairy program authorized by this title continues the milk price support program to assure adequate supplies of milk and dairy products by supporting the price of milk through Government purchases of dairy products.

The provisions of the dairy program will allow for the downward adjustment of milk price support levels if undesirable levels of Commodity Credit Corporation (CCC) purchases are encountered. From 1986 to 1989 milk is to be supported, generally, at a rate equivalent to $11.60 per cwt. for milk. This will hold the support rate at the same level as established on July 1, 1985 under the Dairy and Tobacco Adjustment Act of 1983. However, the support rate can be lowered if estimated purchases exceed specified levels. If estimated purchases on January 1, 1988, and January 1, 1989 are less than 2 billion pounds support rates may be increased by no less than $0.50 per cwt. Support rates for the period 1987 through 1989 may be further adjusted by use of a cost of production index as determined by the Secretary.

Rapid increases in milk cow productivity and relatively favorable past price support levels have resulted in milk production levels in excess of commercial needs since passage of the 1981 Farm Bill. This has resulted in large and costly CCC purchases to support milk prices. The revised program will allow support prices to be adjusted gradually to balance supply with needs. To the extent that these program provisions are successful in reducing currently burdensome CCC accumulations of dairy products, the taxpayer will benefit. Consumers will benefit from reduced dairy product prices to the extent that support levels are reduced. Continued supports will assure adequate incentives for producers to supply sufficient quantities of milk. However, some marginal producers may face net income reductions if price support reductions become necessary in 1987 or later.

This program imposes no new regulatory constraints on the dairy farmers and milk product processors currently affected by the program.

Authority for the inclusion in milk marketing orders of seasonal and base-excess plans to facilitate orderly marketing is also extended through 1989. The Secretary of Agriculture is, however, directed to conduct a study of differentials used to adjust minimum milk prices at different locations under marketing order programs.

TITLE III—WOOL AND MOHAIR

This program provides payments to wool and mohair producers based on the difference between average market prices and support incentive prices calculated by a formula specified in the Act. The program attempts to provide for a viable wool and mohair industry in the United States.

The provisions of this title extend the price support provisions of the National Wool Act through 1989. In addition, a $50,000 per producer payment limitation is imposed.

Approximately, 85,000 wool and mohair producers are affected by the program. The effects of the $50,000 payment limitation depend largely on the spread between average market prices and the support incentive price. For instance, this spread, for wool, was 92 cents in 1983 and declined to 85 cents in 1984. Over 300 producers received program payments in excess of $50,000 in 1983 whereas this number declined to 184 in 1984 (preliminary figures).

The payment limitation will benefit the taxpayer somewhat, but it is not expected that this provision will cause the aggregate benefits accruing to wool and mohair producers to change substantially.

TITLE IV—WHEAT

This title could have major implications for the manner in which the wheat program is administered during the 1987 through 1989 marketing years. It instructs the Secretary to conduct a poll (mail ballot) of eligible producers to determine whether the producers favor (1) a wheat marketing quota during the 1987 through 1989 marketing years and (2) the conduct of a marketing quota referendum. If more than 50 percent of eligible wheat producers favor these actions, the Secretary is instructed to proclaim national marketing quotas for wheat for each year in this period. If more than 60 percent of the eligible producers favor the marketing quota, participation in the program will be mandatory and farm marketing quotas for each farm will be established. If a marketing quota is not in effect, a voluntary wheat program, similar in some respects with previous programs, will be offered in these years.

A target price-deficiency payment to support wheat farmer income will be in effect regardless of the program adopted, but the procedure used to establish target prices and loan rates differ. If marketing quotas are in effect, the target price is the higher of the national average costs of production or $4.65 per bushel. If marketing quotas are not in effect, the target price is set at $4.55 per bushel for up to 20,000 bushels and at $4.00 per bushel on any additional bushels.

Deficiency payments are based on differences between target prices and market prices or loan rates, farm program acreage and yields as under previous programs.

Price support loan rate for participating producers are continued by this title. If no marketing quota is in effect, loan rates would be set at $3.00 minimum per bushel in 1986 and adjusted according to formula tied to a moving average of previous years' prices for the

1987 through 1989 crop years. If market prices are below 110 percent of the loan rate in any year, loan rates may be decreased in the subsequent year. Similar provisions are made for several other commodities. If marketing quotas are in effect, loan rates would be set at the higher of $3.55 per bushel or 75 percent of national average costs of production per bushel.

Loan repayment rates under either program are calculated in the same manner. If the "World market price" (definition and formula to be established by the Secretary) is less than the loan rate, loans may be repaid at the world market price or 70 percent of the loan rate, whichever is higher. If the world market price is above the loan rate, loans may be repaid at the loan rate.

Other provisions of this title authorize the Secretary to establish acreage reduction program or set-aside programs and instruct the Secretary to conduct a feasibility study of establishing different loan and deficiency payment rates for different varieties of wheat. Also, a fail-safe provision is included that allows the Secretary to adjust or suspend marketing quotas if he determines that this is in the national interest.

The economic effects as well as the regulatory effects of the wheat program depend largely on the program adopted, the relation between world market prices and the loan rate, and the judicious use of the flexibility provided in the program provisions provided to the Secretary. If the quota system is adopted, slightly over 1 million wheat producers will be affected directly as mandatory quotas will limit quantities of wheat each producer may market.

Higher price support levels under the mandatory quota program would likely reduce export sales during the 1987 through 1989 period if world market prices remained significantly below the loan rate.

If a voluntary program is retained, provisions to adjust loan rates according to average market price changes will eventually result in more competitive pricing for U.S. wheat in the export market. This would permit improvements in the economic viability of U.S. wheat producing farms in the long run. Deficiency payments provided for by this title would provide income support to participating producers which could help alleviate current economic stress.

Costs of the program would be borne largely by the taxpayer. The small proporation of the value of final products that are accounted for by the cost of wheat included in those products suggest that any potential change in the prices of wheat caused by the implementation of this program would not affect consumer prices to a significant extent. However, a mandatory quota program would increase wheat product prices to some extent shifting costs to consumers. The voluntary program provided for may allow for some reduction in wheat prices which would benefit consumers.

If approved by producers, the mandatory quota program would increase paperwork requirements for both USDA and producers.

TITLE V—FEED GRAINS

The feed grain program is voluntary and similar to the current program. A deficiency payment and price support loan system is in effect and provision is made for disaster payments, acreage reduction and set-aside programs, and land diversion payments.

The Secretary is instructed to make deficiency payments to participating producers for each of the 1986 through 1989 crops of corn, grain sorghum, and oats. The Secretary can also make payments to eligible barley producers if he so designates.

For program purposes, the established or "target" price for corn is mandated to be not less than $3.03.

Established prices for grains other than corn are set by the Secretary at such a level as he determines to be "fair and reasonable" in relation to the price of corn.

Price support loans are also provided. Loan rates for corn are set at $2.40 per bushel for the 1986 and may be adjusted for the 1987 through 1989 crops depending on movement in average market prices. Additional adjustments in loan rates are allowed when market prices are near the loan level as provided for under the wheat program.

Loan repayment provisions are identical to those for wheat such that the loan recipient may repay his loan at a rate between 70 percent and 100 percent of the established loan rate depending on the level of the world price of corn.

Those who are affected by the feed grain program include approximately 1.5 million producers with a base acreage of approximately 115 million acres. Also, affected are livestock, poultry, and dairy producers who use feedgrains as inputs. Positive benefits should accrue to consumers and livestock producers if the program is operated in such a manner that grain flows freely into the market permitting some reduction in prices, rather than being accumulated in Government and farmer-owned reserve stocks. This will permit feed grain prices to gradually adjust in accordance with market forces. More competitive market prices should help feed grain producers retain export sales and remain economically viable. The burden on taxpayers should also be reduced from that which has been prevalent in the last several years.

However, if target prices are too high, and acreage reduction programs are eliminated after 3 years, significant excess production could result in the United States. This would result in lower market prices and unnecessary increased costs to the taxpayer through higher farm program costs.

The title imposes no new regulations or paperwork burdens.

TITLE VI—COTTON

The provisions of this program are similar in intent to those of the current program but the details of implementation are slightly different. Provision is made for acreage reduction, deficiency payments, and nonrecourse loans. The target price is set at not less than 81 cents per pound. The loan rate is set at not less than 55 cents a pound for the 1986 crop. The loan rate for the 1987 through 1989 crops is set at the higher of 85 percent of the 5 year average used in the current law or 50 cents a pound, but not more than a 5 percent decline from the previous year. For 1986, loans may be repaid at the lesser of the loan rate determined for the crop or the prevailing world price as determined by the Secretary. For the

1987 through 1989 crops, the Secretary may permit repayment at a level not in excess of 80 percent of the loan rate if world prices are less than 80 percent of the loan level. Payments for producers who elect to forgo obtaining loans are also provided for. Modifications to deficiency payment provisions similar to those described for the rice program are also made. New provisions for calculating base acreages per farm eligible for the programs are included in this title.

Economic and regulatory effects on cotton producers would be similar in nature to those described for feed grain producers. Consumers should benefit from reduced cotton prices.

TITLE VII—RICE

The bill extends the voluntary rice program that includes provisions for an acreage reduction program or set-aside provisions, and also provisions for deficiency payments and nonrecourse loans.

The loan rate for the 1986 crop is not less than $7.20 and for the 1987 through 1989 crops the higher of $6.50 per cwt. or 85 percent of the most recent 5 year average, excluding the high and low years, of market prices in all other years covered by the program. Loan repayments are provided for in the same manner as the feed grain program, with the world market price taking on potential significance.

Approximately 25,000 producers are affected by the rice program. Historically a large percentage of the eligible farms have enrolled in the program and a large proportion of the base acreage is covered by The program. The provisions of this bill could reduce the taxpayer burden, particularly in the latter years by reducing excess stocks. However, the prohibition on downard adjustment in the target price in future years, if significant acreage reduction controls are not used, will likely result in continued surplus production and high costs to taxpayers. Consumer prices should not be affected to a significant extent although market prices may decline.

TITLE VIII—PEANUTS

This title provides for a two tier pricing system similar to that currently in effect. It requires the Secretary to conduct referendums to determine if a quota system will be in effect. If more than one third of the producers voting in the referendum vote against quotas, poundage quotas will not be in effect for the following year. For the 1986 through 1989 crop years, national poundage quotas are to be established by the Secretary at a level that will meet domestic demand for peanuts, taking into consideration carryover stocks and producer undermarketings. The national poundage quota is to be established at not less than 1.1 million tons. Guidelines are also provided for the equitable establishment of individual farm marketing quotas and provision is made for the production of additional peanuts for crushing or export purposes.

Price support provisions establish the 1986 national average quota support rate at the 1985 quota support rate adjusted to reflect the percentage increase in the prices paid by producers for commodities and services, interest, taxes, and farm wage rates during the 1981 through 1985 calendar years. For the 1987 through

1989 crops of quota peanuts the preceding year's quota support rate is adjusted to reflect any change in the preceding year's cost of production (excluding changes in the cost of land).

Price support for additional peanuts is mandated through a provision which requires the Secretary to make loans or purchases on additional peanuts at a level determined by the Secretary after considering the demand for peanut oil and meal, and the demand for peanut exports.

It is not expected that these provisions will affect any economic group in a significantly different manner than current law.

TITLE IX—SOYBEANS

This title represents no change in the current soybean loan program providing a loan rate of not less than $5.02 per bushel. The soybean loan program provides a safety net on prices for approximately 750,000 soybean producers and is used primarily as a interyear marketing aid by producers who anticipate higher prices toward the end of the marketing year. Due to market determined prices, no significant costs are expected to be incurred by either taxpayers or consumers for this program, unless world market prices decline significantly below the minimum loan rate.

TITLE X—SUGAR

This title extends the current sugar price support program. The sugar program directs that the price of domestically grown sugarcane is to be supported through nonrecourse loans at a level that the Secretary deems appropriate but not less than 18 cents per pound for raw cane sugar. Sugarbeet prices are to be supported through nonrecourse loans made at levels determined to be fair and reasonable in relation to the loan rate on sugarcane. The Secretary may increase the loan rate in each of the crop years 1986 through 1989, but is directed to submit a report substantiating his findings, decision, and supporting data in the event that he does not increase the loan rate.

Currently world sugar prices are at depressed levels far below domestic producers' cost of production. The program thus permits the maintenance of a domestic sugar production industry to meet a portion of the nation's needs. However, the program does result in higher costs being paid by consumers for sugar products.

TITLE XI—HONEY

A price support loan program for honey is required for each of the 1986 through 1989 crops. The bill modifies the price support level provided by the current program. The loan rate for the 1986 crop is to be set at a level that is not less than 65.3 cents per pound. The 1987 through 1989 loan rates are to be set at the higher of 85 percent of the simple average price received by producers for the immediately preceding 5 years excluding the high and low years, or 50 cents per pound. During the 1987 through 1989 crop years, the loan rate cannot be reduced more than 5 percent from the previous year's level.

To the extent that the program is successful in moving honey to a market-oriented pricing system, taxpayers should benefit. In recent years, loan rates above market price levels have caused government stocks to expand rapidly while cheaper foreign honey has been imported to meet a significant portion of commercial needs.

No significant new regulatory burdens would be imposed.

TITLE XII—FOOD ASSISTANCE RESERVE

Title XII authorizes the establishment of a humanitarian food assistance reserve of up to 500 million bushels of wheat and feed grains to replace the existing Food Security Wheat Reserve. The reserve is intended to ensure that the United States will be able to meet its food aid commitments during periods when the domestic supply of wheat and feed grains is limited and will be able to respond in a timely manner to emergency situations requiring urgent, humanitarian food assistance. The Secretary of Agriculture is authorized to pay for processing, packaging, handling, transportation, and other related costs associated with distributing commodities from the reserve.

This provision is expected to have only a limited economic and regulatory impact, and it is difficult to predict the extent of these impacts since use of the reserve will depend largely on emergency conditions overseas. To the extent the reserve is used, U.S. exporters, transport firms, and processors could be affected. CCC outlays and losses will occur which will require a Congressional appropriation to restore CCC borrowing authority. Regulations for operation of the reserve will be necessary once it is established.

This title also repeals the provisions for the producer-owned reserve for wheat and feed grains. As of September 19, 1985, the quantities in the reserve included 662.5 million bushels of wheat, 412.7 million bushels of corn, 128 million bushels of grain sorghum, 106.1 million bushels of barley, and 2.9 million bushels of oats. Expiration of the reserve contracts on this grain will remove the current restrictions on sale or use of this grain and allow producers to dispose of the grain as they see fit. As a practical matter, however, unless the market prices for these grains increase over current levels, most of this grain will be forfeited to the Commodity Credit Corporation.

TITLE XIII—MISCELLANEOUS COMMODITY PROVISIONS

These provisions are primarily intended to promote fairness and equity in the administration of the individual commodity programs.

A payment limitation of $50,000 is placed on the total amount of payments (excluding disaster payments which are limited to $100,000) that a person may receive under one or more of the wheat, feed grains, upland cotton, extra long staple cotton, and rice programs. This continues current provisions. Therefore no new effects are expected. These limits prevent very large farm producers from receiving excessive direct payments.

In the event of a wheat quota system, the Secretary may require, as a condition of eligibility for loans, purchases, and payments on any basic commodity, that the acreage normally planted to designated crops be reduced by the acreage that the Secretary determines would normally be planted to wheat on a farm minus the individual farm program acreage on the farm under the quota wheat provisions of this bill.

Another provision allows producers who have traditionally double-cropped to plant the second crop on acreage that was diverted to meet eligibility requirements for the programs related to the first crop harvested.

Other provisions allow for advance deficiency payments and for CCC PIK certificates for producrs who repay loans. The PIK certificates would be in an amount equal to the interest payments on such loans. This provision could be used as an aid in reducing excess CCC stock accumulations.

TITLE XIV—FOOD STAMPS AND COMMODITY DISTRIBUTION

The Committee's recommendations would impact on those individuals who wish to receive food stamp benefits, program administrators, those firms that choose to accept food stamps for food purchases, and financial institutions that redeem food stamps for those retailers. The Committee's intent is to improve program administration and strengthen work requirements. While the bill would reduce program costs to some extent, these reductions arise from attempts to improve program administration by making treatment of various forms of income and deductions more logical and equitable and from strengthening the error rate liability system.

Generally, the Committee is not significantly changing basic program eligibility rules. The eligibility and benefit levels of most applicant and participant households would not be affected by the Committee's bill.

Modifications were made by the Committee which will result in a more equitable treatment of recipients of certain kinds of public assistance. First, households containing an individual receiving payments under the Job Training Partnership Act (JTPA) would have those payments, which are now excluded as income, counted as income as is done in the Aid to Families with Dependent Children (AFDC) program, and would thus receive lower food stamp benefits than if current law were retained. Second, households receiving any form of assistance under the Low Income Home Energy Assistance Act (LIHEAA) would not have any energy costs met by LIHEAA payments counted as a shelter expense when the household's excess shelter deduction is computed. This treatment would result in a benefit adjustment being made for any household receiving LIHEAA cash assistance and for households receiving LIHEAA aid through payments to energy suppliers in States affected by recent court rulings requiring that costs met by such payments be considered deductible expenses. (The change would not affect households not receiving any shelter deduction now or households already receiving the maximum shelter deduction although their shelter costs exceed that level.) Third, households would not receive increased food stamp benefits, as they do now, due to decreased payments under the AFDC or Supplemental Security Income (SSI) programs because of those programs' treatment of one-time lump sum payments.

The Committee's bill would address the issue of households containing an ineligible alien by requiring that all income of the alien be considered available to the household, rather than subtracting a pro rata share of the income.

The Committee's bill would result in slightly increased food stamp benefits for households in States that choose to disregard child support payments also excluded in the AFDC program. This change would impact those State agencies that choose this option by requiring them to track and pay for any increased benefit costs due to the exclusion of these child support payments. The bill would also broaden the definition of disabled persons and would thus raise benefits for households containing persons who meet the new criteria of disability, due to special benefit calculation procedures applied to such households.

The Committee's bill would increase the actual value of food stamps available to participants for purchasing food in those States which now impose some sales tax on food by prohibiting the charging of sales tax on food purchases made with food stamps.

The Committee's bill would allow program access for several categories of households by 1) allowing participation of persons in residential drug addict and alcoholic treatment programs run by certain community mental health centers; (2) requiring State agencies to have a method for certifying households without fixed residences or mailing addresses; and (3) incorporating into statute the current regulatory requirements that eligibility shall be based on the anticipated income, rather than past income, in cases of self-employed households which have their income averaged over a year and which have experienced significant increases or decreases in business.

The Committee's bill has a new procedural requirement that will strengthen program accountability by requiring all adult household members verify under penalty of perjury the truth of information on applications (except only one adult is required to sign those processed under expedited service provisions) and other reports submitted to the State agency. The bill also holds each adult member jointly and severably liable for overissued coupons. While requiring signatures from all adult members is an additional procedural requirement placed on households, it is expected to further tighten the program against abuse and improve State agencies' ability to collect claims for overissued food stamps.

The Committee is strengthening the program's work requirements by requiring all State agencies to implement work programs, starting in Fiscal Year 1986, and sets performance standards for States for participants who are subject to work requirements and have participated for 30 consecutive days, starting in Fiscal Year 1987. Most State agencies currently operate job search programs for some of their work registrants. This requirement would impact on State agencies, all of which would have to design and implement work programs that may include job search training, work experience and training, workfare, or other components approved by the Secretary, as well as on work-eligible participants in every State who would be required to comply with work assignments or subject their households to disqualification for two months. (If the noncompliant member joins a new household, the bill would make the new household ineligible for the remainder of the disqualification period and remove the disqualification from the previous household.) Households would be required to participate for the number of hours derived by dividing the household's allotment by the higher of the State or Federal minimum wage, up to maximum of 120 hours per month. State agencies would be required to reimburse households for the actual costs of participating up to $25 per month.

The bill expands the categories of people subject to work requirements by lowering the minimum age for participation from 18 to 16 except for 16 and 17-year-olds who do not head households or who attend school full-time. The bill also gives State agencies the option of requiring caretakers of children from 3 to 6 years old to comply with work requirements if adequate child care is available. It also removes the exemption in the legislation authorizing workfare for the second parent in a household where one parent or caretaker is working or subject to work requirements. These changes would slightly increase the number of program participants subject to work requirements and would improve consistency between requirements in this program and the AFDC program.

The Federal government would disburse $40 million in Fiscal Year 1986, $50 million in Fiscal Year 1987, $60 million in Fiscal Year 1988, and $75 million in fiscal years thereafter without requiring States to match these funds and would pay for half of costs above these levels. In general, the Committee's bill is intended to result in stronger work programs that are more likely to assist participants to become self-sufficient. The impact of the programs will depend on the categories of work registrants each State selects to serve, the types of services the State provides, and the nature of the State's current work registration/job search program.

In addition to the provisions already discussed according to their impact on participants, which also entail a burden upon State agencies as program administrators, other provisions impact primarily upon State agencies. Many of these have been adopted in order to reduce fraud, waste, or abuse on the part of participants or State agencies themselves through more effective program administration.

The Secretary would be required to direct State agencies to use alternative means of coupon issuance when it is determined in consultation with the Department's Inspector General that an alternative means would improve program integrity. Currently, the Secretary is authorized to require use of alternative issuance systems; however, this authority has not been exercised. Examples of alternative systems would be those using a central computer hook-up with authorized retail firms, such as the electronic benefit transfer project conducted in Reading, Pennsylvania, or reusable credit card type documents. The installation of such systems would increase the administrative burden of State agencies; however complete implementation should mean a reduction in the issuance workload burden as well as decreased fraud and abuse.

State agencies would be required to verify household size whenever an application contains a number of persons in a household which is questionable. This provision enacts current regulatory policy so should have no effect on verification activity. Also, the

State agency would have sole responsibility for determining which eligibility factors other than those required by the Secretary (i.e., gross included income, alien status, utility expenses in certain situations, medical expenses, Social Security Numbers, residency, identity, and questionable information that affects eligibility or benefit amounts) will be verified. This part of the provision enhances a State agency's ability to reduce fraud, waste, and abuse through its more detailed knowledge of the caseload.

State agencies would be required to mandate photographic identification cards whenever the Secretary and the Department's Inspector General determine that their use would be cost effective. Currently, State agencies are required to mandate photo IDs when their use has been determined to protect program integrity. The provision should result in an increase in mandatory photo ID use and diminished fraud and abuse.

State agencies would be required to establish fraud detection units in any project area with 5,000 or more participating households. It is estimated that there are about 250 such project areas. Although the provision represents a newly-mandated administrative activity, it is one that many State agencies are already performing. Some State agencies would be able to satisfy the requirement by designating existing personnel as fraud detection units but others would have to shift or hire personnel for this purpose.

The Committee's bill would establish liability against State agencies for interest on any food stamp claims assessed against them. The liability would begin at the point at which administrative review procedures, if any, were completed. The provision somewhat mitigates current Administration policy which institutes a claim for interest beginning 30 days after a claim is established. Interest would accumulate during any judicial review. The bill also revises the error rate liability calculation to tie it more directly to Federal dollars lost through errors rather than using a formula based on administrative costs. The effect of the provision would increase most State agencies' liability, especially where error rates exceed 7 percent.

State agencies would be required to use other means of collection (e.g., collection agents) to recover fraud/intentional misrepresentation claims if they cannot be collected through direct payments or allotment reductions, unless the State agency can demonstrate that it would not be cost effective to do so. Also, State agencies would be authorized to use allotment reduction to recover overissuances stemming from State agencies's errors. The new requirement and authority would add to State agencies' claims collection activity.

State agencies would have the option of covering overissuances through offsets against unemployment benefits. State agencies would have to either enter into an agreement with the unemployment compensation recipient or obtain a court order. The State agency would be compensated for this and other activities voluntarily entered into, including reimbursements to unemployment compensation authorities, through retention of 50 percent of any amounts recovered.

State agencies could be required by the Secretary to implement new certification procedures or modify existing procedures in project areas where the Department's Inspector General determines through the use of quality control information that error rates impair program integrity. This provision would represent an initial workload burden on State agencies that would moderate upon full implementation.

The Committee adopted several other proposals which impact upon State agencies by either simplifying current procedures or expanding State agencies' flexibility to make administrative decisions. For example, the monthly reporting/retrospective budgeting requirements would be revised to align them more closely to those of the AFDC program and to expand State agencies' options.

The bill contains State agency options for categorical eligibility and standardized benefits. State agencies would have the option to consider households where all members receive AFDC, SSI, or benefits under titles I, X, XIV, or XVI of the Social Security Act to be categorically eligible for the Food Stamp Program to the extent such households' gross income does not exceed 130 percent of the poverty line. While this provision would reduce State agencies' certification burden somewhat, it would have no effect on benefit calculations. The option to standardize benefits to households with AFDC, SSI, or Medicaid recipients would represent a substantial early workload for State agencies who opt for it. Categories of households would have to be defined, average benefits calculated, evidence furnished to the Department that the average benefit for each houshold category is approximately equal to actual benefits, and households notified of changes. Upon completion of start-up procedures, however, the State agency's workload for these categories of households should be substantially reduced.

State agencies would be provided the flexibility of issuing food stamps over the entire month rather than, as now required by regulation, only during the first 15 days of the month. The only stipulation would be that no household receive its food stamps more than 40 days after its prior issuance due to staggered issuance procedures.

One provision would only affect the food stamp State agency in the Commonwealth of Puerto Rico. It would permit the Commonwealth to continue to provide food assistance to its citizens in the form of cash or to switch, at its option, to a noncash form of assistance. Also, the Commonwealth's annual plan of providing food assistance would be due April of each year rather than July 1.

In a final category of provisions which impact on State agencies is one designed to enhance program services to those people it is intended to assist. State agencies would be required to meet standards established by the Secretary for reviewing the hours certification and issuance offices are open and determining the adequacy of those hours for serving employed people. The provision does not represent a serious administrative task for State agencies but merely recognizes their responsibility to serve all eligible individuals.

The Committee's bill would have a general positive impact on participating retail stores by prohibiting financial institutions from charging them fees for food stamp redemptions. Most of the bill's provisions on retailers, however, are intended to enhance program integrity and would affect retailers who do not comply with program rules. The Committee's bill would improve the oversight of food stores participating in both this program and the special supplemental food program for women, infants and children (WIC) by permitting information collected from retailers for food stamp purposes to be shared with WIC State agencies. The bill would also disqualify from WIC participation retail stores disqualified from the Food Stamp Program. Additionally, the bill would make it more difficult for retail stores found to have committed program violations to delay or escape penalties. Retail stores (along with State agencies) would be required to meet a stricter standard to obtain judicial stays of administrative penalties and the owner of a disqualified store would have to pay a civil money penalty if the store is sold during the disqualification period. These provisions are intended to make punishment for violations swifter and more certain to be carried out and thus serve as a stronger deterrent aganist retailer abuses. Except for the provision allowing disclosure of information to WIC agencies, they will not affect the vast majority of stores which comply with program rules.

The legislation is not expected to have a significant impact on personal privacy. Those provisions with some potential impact are designed to improve program integrity by strengthening compliance procedures relating to retail food stores (and wholesale food concerns) that participate in the food stamp program. The increased use of social security numbers for participants in the commodity distribution program will establish equity for participants in that program with those in the food stamp and AFDC programs, where such requirements already exist.

TITLE XV—AGRICULTURAL RESEARCH, EXTENSION AND TEACHING

In reauthorizing the research and extension title, the Committee has adopted only minor changes to the U.S. agricultural research and extension system. These amendments are intended to assure continued support for these programs while specifically recognizing concerns in the international and human nutrition areas. Other changes provide more flexibility to make the system more responsive to changing technologies and needs of the Federal/State research system.

Numerous studies have reported on the favorable benefit/cost ratios of agricultural research. Much of the increase in farm productivity during this century can be attributed to agricultural research. Indeed, total farm output has increased beyond the domestic and foreign demand for these products, resulting in surpluses and depressed prices.

Given this scenario, Federal funding for agricultural research, which has contributed to these production gains, has remained roughly constant in real terms during recent years. However, the Committee is faced with concerns regarding agricultural profitability, competitiveness with foreign producers, the effect of farm practices on soil and water quality and renewed interest in human nutrition issues. Further, uncertainties remain regarding the capacity of U.S. agriculture to meet future domestic and foreign demands. In view of these issues, the Committee believes that a continued strong Federal commitment to agricultural research is imperative.

Regulations and requirements of title XV are minimal and impact only those individuals and organizations involved with these research and extension programs. The bulk of any regulatory burden is borne by the State agencies which receive grants or other Federal funding through these programs.

No significant change in the amount of paperwork is anticipated as a result of the amendments to increase the Secretary's control of biotechnology. The plans and reports on human nutrition mandated by the new Subtitle C could increase paperwork.

The programs and regulations envisioned in title XV would not extend to or impact on the personal privacy of individuals involved with programs covered in title XV.

TITLE XVI—SOIL AND WATER CONSERVATION

The bill reaffirms and strengthens congressional policy to promote effective soil and water conservation and protect the quality of the Nation's watersheds. The members of the Committee are concerned that the abuse or overuse of soil and water could deprive future generations of the resources they will need to maintain an adequate standard of living. The financial crisis which farmers are currently facing and the prospects for excess production capacity over the next five years support actions to further strengthen public investments in the protection of our soil and water resources for current and future use.

The Secretary is authorized and required to prohibit subsidized incentives to further cultivate highly erodible soils ("sodbuster") and converted wetlands ("swampbuster"). Farmers who plant row crops and grains on highly erodible soils, not cultivated since 1981, would be prohibited from participating in commodity programs for marketing loans and target price protection, crop insurance, disaster payments, and new FmHA loans. The highly erodible lands are those classified by the soil surveys as being IIIe, IVe, VI, VII, and VIII which, when devoted to annual cropping, would not meet an approved conservation plan as determined by the local conservation district. The converted wetlands are hydric soils which are drained, dredged, filled or leveled in order to make production suitable. While these provisions do not restrict farmers from using their lands as they choose, it eliminates taxpayer subsidies from being associated with bringing more of these lands into production.

Another section requires participants in the commodity programs to use adequate conservation practices. This "cross-compliance" provision begins with the 1988 crop year or two years after completion of the county soil survey. The bill requires the Secretary to complete soil surveys on these lands as soon as practicable. The 1982 National Resources Inventory identified 53 million acres of cultivated cropland that are both highly erodible and eroding excessively. This provision does not prohibit farmers from using such lands to meet market demands.

A conservation reserve is authorized for up to 30 million acres of highly erodible and serverely eroding cropland. These lands are to be defined by use of the Universal Soil Loss Equation and the Wind Erosion Equation or, if necessary, by land classes IVe, VI, VII and VIII. Farmers would submit bids for establishing vegetative cover, grass or trees, and their acceptable annual rental rate, for 7 to 15 years contracts. The Secretary is authorized to use CCC funds and facilities for 1986 and 1987 to pay cash or in-kind payments up to $50,000 to the lowest bidders. Appropriations would be required for 1988. No county would have more than 25 percent of its cropland entered into the reserve in order to minimize the adverse effect on local farm input suppliers and marketing firms resulting from the reduced acres. At least 10 percent of the land must be devoted to trees, much of which will likely be located in the Southeast. The reserve acres are eliminated from the cropland base and allotment history and these lands are subject to the sodbuster provisions upon expiration of the contracts. Haying and grazing are not permitted, unless an emergency exists. The costs of establishing vegetative cover have been estimated to be about $50 per acre and the rental bids could be as low as $30 per acre for the first 5 million acres to above $100 per acre for the last 5 million acres. The "cross-compliance" provision would provide a significant incentive for some farmers to prepare bids for the conservation reserve. The cost savings to the commodity programs for load outlays and deficiency payments resulting from removal of this land from crop production will offset part of the conservation reserve payments.

Another new provision authorizes the Secretary to enter into perpetual easements to improve soil fertility and promote economic use and conservation of land in order to protect rivers and harbors against soil erosion and prevent agricultural pollution.

The provision of this title, by effectively reducing soil erosion from the most highly erodible and severely eroding cropland, should provide significant benefits to the Nation by reducing the offsite damages to water quality or from sedimentation. Administering the provisions in this title will add some paperwork requirements for USDA. Farmers who apply for the conservation reserve will need to analyze their profitability options for the eligible acres before submitting bids and help assure program cost effectiveness.

TITLE XVII—AGRICULTURAL CREDIT

This title revises and reauthorizes the farm and rural development credit programs of the Farmers Home Administration (FmHA).

These provisions would not have an impact on the personal privacy of individuals, nor would additional paperwork or recordkeeping of USDA and rural residents be required. The specific provisions and their economic impact are considered below.

Credit

The Farmers Home Administration (FmHA) was established in 1946. The agency administers loan and grant programs in three broad areas—farm credit, rural housing, and rural community development. This legislation addresses farm and community programs.

FmHA makes both direct loans and guaranteed loans made by other lenders. Most lending is limited to those who are unable to obtain adequate credit from other sources at reasonable rates.

Farm loans

Farm ownership loans are made to improve or purchase farms, refinance debts, finance nonfarm enterprises, or make additions to farms. Loans are made at the government cost of money (currently, 10.75 percent), except for loans to limited resource borrowers at rates half the cost of funds (5.25 percent).

Operating loans provide short-to-intermediate term production or chattel credit. Loan terms include a repayment period of up to 7 years, renewable to 15 years and extended if necessary for up to 15 additional years. Loans are made at the government cost of short-term funds (10.25 percent), except for limited resource rates at rates three percentage points less than regular rates (7.25 percent).

Emergency loans are made to farmers in disaster areas designated by the Secretary to restore production. Farmers unable to obtain credit elsewhere are eligible for loans up to $500,000 per disaster at an interest rate of 5 percent for the first $100,000 and 8 percent up to the $500,000 limit. Credit worthy borrowers can obtain emergency loans at market interest rates.

The provisions in this title relating to farm credit establish lending limits for these programs. Currently, the farm credit programs of FmHA serve about 270,000 borrowers with a direct loan portfolio totaling about $25 billion. In fiscal year 1985 the agency made about 110 thousand farm loans for a total of about $5.8 billion.

Revisions in farm credit authority of FmHA (1) affect emergency lending, (2) affect loan servicing procedures, (3) provide for an interest buy-down program, and (4) reauthorize existing direct and guaranteed farm lending programs as follows:

(1) Emergency loan authority is revised to prohibit loans for losses where crop insurance coverage is available. Since crop insurance is available for most crops in virtually every farming county, the provision would reduce the current emergency loan level from about $500 million to less than $100 million annually. In effect, the authority to make emergency loans would be limited to losses of livestock and ceratin minor crops for which insurance program have not yet been established.

The maximum loan per individual per disaster is also reduced from $500,000 to $200,000, and an over-all indebtedness ceiling for direct loans to an individual is set at $400,000. These provisions will contribute, along with the crop insurance provisions, to reductions in emergency loan levels, although the authority for emergency loans on an as-needed basis is maintained.

(2) Loan servicing procedures are revised in several ways. The legislation mandates studies of the FmHA loan application form and election of the county committees, and revises the way in which loan repayment can be accomplished with the proceeds derived from mineral rights. Minimal economic impact on the agency or the public is expected from these provisions.

Another provision would revise inventory management procedures of the agency to provide greater benefits to beginning and limited resource borrowers. Current farm property in inventory totals about 2,000 farms, with about 500,000 acres, worth about $500 million. The provision would give beginning and limited resource borrowers an advantage in acquiring property, but may also increase costs of inventory management. Other USDA program costs may also increase as new entrants into farming are encouraged.

The procedures guiding release of claims against borrowers is also revised to provide the Secretary with greater discretion in adjusting debt obligations of borrowers under stress. Adjustments in debt settlement are contemplated to allow the borrowers with negative net worth to keep some personal property, and also to allow for the use of timber proceeds in repaying deferred delinquent debt.

Under current debt adjustment procedures over 100,000 borrowers have benefitted annually from rescheduling and loan deferral provisions. The greater discretion provided the Secretary through these provisions to adjust debt obligations would assure borrowers even more opportunity to continue farming or to make a transition to nonfarm employment.

Statutory language also directs the Secretary to continue making direct loans to both existing and new borrowers. While termination of the direct loans to new borrowers would reduce loan level and administrative requirements, such a change is considered by the Committee at this time to be inconsistent with the role of FmHA in providing critical financial assistance to farmers udner financial stress.

(3) Also authorized is an interest buy-down program. The one-year program allows reduction in interest rates for borrowers under stress with the government providing up to 2 point reductions if matched by lender reductions. $490 million would be provided over three years by FmHA, and $490 million by other lenders.

Recent USDA reports show cash shortfall averaging about $13,000 for farms with debt asset ratios between 40 and 70 percent and sales between $100,000 and $250,000. Interest costs total $29,000 on average debt of $272,000. A four percentage point reduction in the average interest rate would reduce the annual interest cost to about $18,000 and the annual cash shortfall to about $2,000. The average benefit is the difference in interest costs before and after the write-down: $11,000. At this rate, the Federal and private contributions could benefit approximately 30,000 farm borrowers annually.

(4) Farm lending programs are reauthorized with a combined direct program for real estate and operating loans for 1986, 1987, and 1988 of $2.0 billion, $1.5 billion, and $1.0 billion. The combined guaranteed real estate and operating loan program for the same period is authorized at $2.0 billion, $2.5 billion, and $3.0 billion.

The interest buy-down program is estimated at $163.3 billion per year for three years, and emergency loans, appropriated on an as-needed basis, are estimated at $100 million per year due to language shifting assistance from lending to crop insurance programs. Three year outlay costs for the farm lending program are estimated by the Congressional Budget Office to total $6.2 billion.

Community programs

Depending on the income of the community, loans for water and waste disposal and for other community facilities are made by

FmHA at interest rates of 5 percent where the median family income is below the OMB poverty line. Interest rates to communities with higher incomes pay up to market rates for comparable municipal tax-exempt obligations. Water and waste grants are made to reduce the household cost of repaying loans to an affordable level. Grants may not exceed 75 percent of project cost.

This title changes the eligibility for the 5 percent loan to the higher of either the poverty line or 80 percent of nonmetropolitan median income, and sets a ceiling of 7 percent on loans not meeting the 5 percent eligibility standard where median community income is less than 100 percent of the nonmetropolitan median income.

Community program loans and grants obligated in fiscal year 1985 total about $500 million. Currently, about 10 percent of water and waste loans are obligated at 5 percent rates. The change in eligibility should increase the number of loans obligated at the 5 percent rate, and will have a moderate impact on rural areas as the distribution of funds is affected. The 7 percent ceiling on interest rates compares to the current rate of about 9 percent and would have a moderate economic impact in reducing financing costs of affected communities.

The title also directs the agency to give full consideration to recommendations of the applicant regarding project design and materials. No significant economic impact is expected from the directive.

TITLE XVIII—AGRICULTURAL MARKETING

This title establishes promotional programs for pork and pork products and beef and beef products. Each program provides, generally, for assessments to be collected on all porcine animals and cattle sold in the United States, and on imports of pork and beef products. These assessments would be used to strengthen the positions of the pork and beef industry in the marketplace and to maintain and expand markets for beef and pork and their products.

All producers of cattle and swine, approximately 1.5 million producers in the case of cattle and 15 million producers in the case of porcine animals, would be required to participate unless the programs were disapproved in referenda. Pork producers and importers could obtain refunds of assessments until the program is approved in a referendum. Under current State or voluntary programs, only a fraction of the producers are participating. In the case of cattle, one dollar per head would be assessed at the time of each sale, which is estimated to generate approximately $50–70 million per year. For porcine animals, the assessment rate is scheduled to begin at the rate of one-quarter of 1 percent of the market value with provisions to increase that amount up to one-half of 1 percent of the value. Based on recent marketings and price levels, this would generate approximately $25–30 million per year. In both programs, it is intended that the use of existing organizations would minimize administrative costs associated with the collection and dissemination of these funds.

While some impact could result on the privacy of individuals associated with the collections of assessments, proper control and administration of these programs could minimize this impact. By restricting access of the information and making available only summaries or digests of information, the release of information related to any individuals' private business records would be limited. However, both programs provide for enforcement actions which would entail the auditing or reviewing of individual records for compliance purposes.

The Department of Agriculture would be required to conduct referenda to determine whether pork and cattle producers favor such promotional programs. In addition, the Secretary would be required to appoint industry representatives from nominees submitted to administer the programs in the event the program is approved. The Secretary also has authority to approve budgets, plans, and projects which would be carried out under the programs.

Implementation of these programs would increase paperwork by the Department because of the provisions for conducting the referenda, appointment of industry representatives, and oversight of the programs.

TITLE XIX—GENERAL PROVISIONS

Grants for rural technology development centers

The bill would amend the Consolidated Farm and Rural Development Act to authorize the Secretary to make grants to nonprofit institutions to enable the institutions to establish and operate rural technology development centers. The provision would have no regulatory impact, although persons receiving grants from the Secretary would have to comply with the requirements usually required of grantees. The Department of Agriculture expects to carry out this program using existing personnel. The increase in paperwork would be minimal. The number of people affected would depend on the number of institutions applying for such grants.

User fees for reports, publications and software

The bill would expand the authority of the Secretary to charge user fees for the provision of all pamphlets, reports, and publications, including software and electronic publications, prepared in the Department of Agriculture. There are approximately 400 to 500 requests each year for software and electronic publications from the Department of Agriculture. This provision would have no regulatory impact. The number of persons affected by this provision would depend on the number of requests made for these and other Department publications. No additional personnel would be required to administer this provision. Additional paperwork would be minimal.

Viruses, serums, toxins, and analogous products

The bill, generally, would amend the Virus-Serum-Toxin Act of 1913 to authorize the Secretary to regulate the preparation, sale, and shipment of animal biological products in intrastate commerce and for export, as well as for interstate commerce. The bill also provides for a special license for animal biological products and certain enforcement provisions. Approximately 100 small businesses would be affected by the provision. Because of the relatively small number of businesses which are expected to be licensed, additional paperwork necessary to administer the licensing requirements would be minimal. Existing personnel and facilities are adequate to process the license applications and to enforce the provisions.

Confidentiality of information

The provisions of the bill provide for expanded confidentiality of information furnished to the Department of Agriculture under specified Acts. The number of people affected would depend on the number of people submitting such information to the Department under the Acts specified in the provision. The bill would increase the privacy protection provided for such information. No additional personnel would be needed to administer this provision. Nor would additional paperwork be required.

Poultry inspection

The bill amends the Poultry Products Inspection Act to require imported poultry and poultry products to be subject to inspection standards applied to poultry products produced in the United States and to require that imported poultry and poultry products be processed in facilities and under conditions at least equal to those in the United States. Poultry and poultry products accounted for about 4.2 million pounds of the approximately 2 billion pounds of meat and poultry imported into the United States in 1984. There are approximately 80 plants in foreign countries which are currently exporting poultry and poultry products to the United States. These plants would all be impacted by this provision. The Department of Agriculture currently applies similar inspection standards to imports of meat and meat products. The Department intends to use the facilities and personnel presently used to inspect imported meat and meat products for inspecting imports of poultry and poultry products and does not intend to hire additional personnel or to expand the facilities for inspecting imports of poultry or poultry products. Additional paperwork would be minimal.

Federal Insecticide, Fungicide, and Rodenticide Act

This legislation authorizes $56,067,300 for fiscal year 1986 and such sums as are necessary for fiscal year 1987 to carry out the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA). This legislation is a simple extension of the current act.

The current appropriation level stands at $57.2 million. The authorization levels contained in this legislation are not estimated to dramatically change current personnel requirements or administrative responsibilities for the Environmental Protection Agency. An estimated 701.9 full time staff equivalents are required to carry out the present Act.

The regulatory action carried out under the Federal Insecticide, Fungicide and Rodenticide Act directly impacts upon the companies that develop, produce and formulate pesticides. The producing industry employs approximately 15,000 people in the production of up to 1,400 different chemical active ingredients. Total production is valued at $6 billion. Given that this legislation is a simple extension of the current law, it is not estimated to change the regulatory impact to this industry beyond that of current pesticide laws that are carried out under FIFRA.

ROLLCALL VOTES

(1) A motion was offered to establish that the minimum quantity of commodities to be distributed under title II of Public Law 480 over a 3-year period (fiscal years 1986 through 1988) would be 5,400,000 metric tons. The commodities would be distributed as follows: 1.9 million metric tons in fiscal year 1986; 1.8 million metric tons in fiscal year 1987; and 1.7 million metric tons in fiscal year 1988. The minimum quantity of commodities to be distributed in fiscal years 1989, 1990, and 1991 would be 1.7 million metric tons each fiscal year. The motion was approved by an 11 to 4 vote as follows:

Yeas: Dole (by proxy), Lugar (by proxy), Cochran, Boschwitz, Hawkins (by proxy), Andrews (by proxy), Wilson, Zorinsky, Pryor (by proxy), Boren (by proxy), and Helms.

Nays: Leahy (by proxy), Melcher, Dixon, and Harkin.

(2) A motion was offered to establish that the minimum quantity of commodities to be distributed under title II of Public Law 480 for fiscal years 1986 through 1991 would be 1.9 million metric tons for each fiscal year. Of this amount, an annual distribution of 1.4 million metric tons for nonemergency programs must be distributed through nonprofit voluntary agencies. The motion was defeated by a 5 to 10 vote as follows:

Yeas: Leahy (by proxy), Pryor (by proxy), Boren (by proxy), Dixon, and Harkin.

Nays: Dole (by proxy), Lugar (by proxy), Cochran, Boschwitz, Hawkins (by proxy), Andrews (by proxy), Wilson (by proxy), Zorinsky, Melcher, and Helms.

(3) A motion was offered to require an aggregate minimum monetization level of 10 percent of the commodities distributed under the nonemergency title II programs by nonprofit voluntary agencies. The motion was defeated by a 5 to 12 vote as follows:

Yeas: Andrews, Leahy (by proxy), Melcher, Heflin, and Harkin.

Nays: Dole (by proxy), Lugar (by proxy), Cochran (by proxy), Boschwitz, Hawkins (by proxy), Wilson (by proxy), McConnell, Zorinsky, Pryor (by proxy), Boren (by proxy), Dixon, and Helms.

(4) A motion was offered to require an aggregate minimum monetization level of 5 percent of the commodities distributed under the nonemergency title II programs by nonprofit voluntary agencies. The motion was approved by a 14 to 3 vote as follows:

Yeas: Dole (by proxy), Lugar (by proxy), Cochran (by proxy), Boschwitz, Hawkins (by proxy), Wilson (by proxy), McConnell, Zorinsky, Pryor (by proxy), Boren (by proxy), Dixon, Heflin, Harkin, and Helms.

Nays: Andrews, Leahy (by proxy), and Melcher.

(5) A proposal was offered to extend the Commodity Credit Corporation authority (under section 416 of the Agricultural Act of 1949) for a 2-year pilot project to distribute UHT milk for a period of 2 years beyond current law. An amendment was offered to

sunset the pilot project at the end of current law authority. The amendment was approved by a 9 to 8 vote as follows:

Yeas: Dole (by proxy), Lugar (by proxy), Cochran (by proxy), Boschwitz, Hawkins (by proxy), Wilson (by proxy), McConnell, Zorinsky, and Helms.

Nays: Andrews, Leahy (by proxy), Melcher, Pryor (by proxy), Boren (by proxy), Dixon, Heflin, and Harkin.

(6) A motion was offered to require that 10 percent of the amount of each eligible commodity available for distribution in that fiscal year under section 416 of the Agricultural Act of 1949 be furnished to voluntary nonprofit agencies and the World Food Program for distribution in developing countries. The motion was defeated by a 3 to 5 vote as follows:

Yeas: Andrews, Melcher, and Harkin.

Nays: Boschwitz, McConnell, Zorinsky, Boren, and Helms.

(7) A motion was offered to require that a minimum of 400,000 metric tons of commodities eligible for distribution in that fiscal year under section 416 of the Agricultural Act of 1949 be furnished to nonprofit agencies and the World Food Program for distribution in developing countries. The motion was approved by a 5 to 3 vote as follows:

Yeas: Andrews, Melcher, Boren, Harkin, and Helms.

Nays: Boschwitz, McConnell, and Zorinsky.

(8) A motion was offered to adopt a concept for loan rates as follows: (1) set the loan rates for all crops within a range of 75–85 percent of a 5-year moving market average price and (2) authorize a marketing loan at the discretion of the Secretary. The motion was defeated by an 8 to 8 vote as follows:

Yeas: Dole (by proxy), Lugar (by proxy), Cochran (by proxy), Boschwitz, Hawkins (by proxy), Wilson (by proxy), McConnell (by proxy), and Helms.

Nays: Andrews (by proxy), Zorinsky, Leahy (by proxy), Melcher, Pryor (by proxy), Dixon, Heflin (by proxy), and Harkin (by proxy).

(9) A motion was offered to use the commodity titles from S. 1119 as the markup vehicle for the commodity titles of the farm bill. The motion was defeated by a 6 to 9 vote as follows:

Yeas: Zorinsky, Leahy (by proxy), Melcher, Dixon, Heflin (by proxy), and Harkin.

Nays: Dole, Lugar (by proxy), Cochran, Boschwitz, Hawkins (by proxy), Wilson, McConnell (by proxy), Boren, and Helms.

(10) A motion was offered to set July 15 as the target date to order the farm bill reported out of committee. The motion was approved by a 14 to 0 vote as follows:

Yeas: Dole, Lugar (by proxy), Cochran, Boschwitz, Hawkins (by proxy), Wilson, McConnell (by proxy), Zorinsky, Leahy (by proxy), Melcher, Boren, Dixon, Harkin, and Helms.

Nays: None

(11) A motion was offered to adopt the provision in S. 1051 to require mandatory marketing quotas in the case of wheat if approved by producers in a referendum. The motion was defeated by a 4 to 11 vote as follows:

Yeas: Zorinsky, Leahy, Boren, and Harkin.

Nays: Dole, Lugar (by proxy), Cochran, Boschwitz, Hawkins (by proxy), Andrews (by proxy), Wilson (by proxy), McConnell (by proxy), Melcher, Dixon (by proxy), and Helms.

(12) A motion was offered to adopt the provision in S. 1083 to require mandatory production controls in the case of certain crops if approved by producers in a referendum. The motion was defeated by a 5 to 11 vote as follows:

Yeas: Zorinsky, Leahy (by proxy), Pryor, Boren, and Harkin.

Nays: Dole, Lugar (by proxy), Cochran, Boschwitz, Hawkins (by proxy), Andrews (by proxy), Wilson (by proxy), McConnell (by proxy), Melcher, Dixon, and Helms.

(13) A motion was offered to use the commodity titles from S. 1083 as the markup vehicle for the commodity titles of the farm bill. The motion was defeated by a 5 to 11 vote as follows:

Yeas: Zorinsky, Leahy, Pryor, Boren, and Harkin.

Nays: Dole, Lugar (by proxy), Cochran, Boschwitz, Hawkins (by proxy), Andrews, Wilson (by proxy), McConnell, Melcher, Dixon, and Helms.

Present: Heflin.

(14) A motion was offered to adopt the following concept as a markup vehicle: (1) eliminate the target price/loan concept and replace it with a loan to be adjusted proportionately to fit budget guidelines, (2) make a producer eligible for a loan that would be repaid at the average county price for grain in a given week, (3) average reduction programs to be set by the Secretary with maximums for wheat at 20–25 percent, feed grains at 15 percent, cotton at 20 percent, and rice at 35 percent, and (4) base increases to be figured using crop years 1980–1985. The motion was approved by a 9 to 8 vote as follows:

Yeas: Dole, Cochran, Andrews, Leahy, Melcher, Pryor, Dixon, Heflin, and Harkin.

Nays: Lugar (by proxy), Boschwitz, Hawkins, Wilson (by proxy), McConnell, Zorinsky, Boren, and Helms.

(15) A motion was offered to adopt the Zorinsky/Dole proposal as the markup vehicle for wheat and feed grains. The motion was approved by a 10 to 4 vote as follows:

Yeas: Dole, Lugar (by proxy), Boschwitz, Hawkins (by proxy), Wilson (by proxy), McConnell, Zorinsky, Boren, Dixon, and Helms.

Nays: Andrews, Melcher, Pryor, and Heflin.

Present: Cochran, Leahy, and Harkin.

(16) A motion was offered to provide for the establishment of a soil and water conservation fund in the United States Treasury. The motion was defeated by a 6 to 10 vote as follows:

Yeas: Andrews, Melcher, Pryor, Boren, Heflin, and Harkin.

Nays: Dole (by proxy), Lugar (by proxy), Cochran, Boschwitz (by proxy), Hawkins (by proxy), Wilson (by proxy), McConnell, Zorinsky, Dixon, and Helms.

(17) A motion was offered to (1) set the target price for rice at $11.12 per hundredweight for the 1986 crop with not more than a 5 percent decrease per year in the outyears, and (2) set the loan rate at $7.20 per hundredweight for the 1986 crop and not less than $6.50 per hundredweight for the 1987 through 1989 crops of rice. The motion was approved by an 8 to 4 vote as follows:

Yeas: Dole, Lugar (by proxy), Boschwitz, Hawkins, Wilson, McConnell (by proxy), Zorinsky, and Helms.

Nays: Pryor, Boren, Heflin, and Harkin (by proxy).

Present: Cochran and Leahy.

(18) A motion was offered that upon enactment of the bill, the Secretary would be authorized to lower the support price for milk to $10.60 per hundredweight, whereupon the Secretary must offer a transition payment of $1.00 per hundredweight to farmers, with a payment limitation of $10,000 per person—the transition payments would be phased down over a 5-year period. The motion was defeated by a 3 to 12 vote as follows:

Yeas: Lugar (by proxy), Boschwitz, and Harkin.

Nays: Dole (by proxy), Cochran (by proxy), Hawkins (by proxy), Andrews, Wilson (by proxy), McConnell, Zorinsky (by proxy), Leahy, Melcher, Pryor, Heflin, and Helms.

(19) A motion was offered to amend the Federal milk marketing orders to allow and encourage the reconstitution of milk for fluid consumption in all parts of the country. The motion was defeated by a 1 to 13 vote as follows:

Yeas: Boschwitz.

Nays: Dole (by proxy), Cochran (by proxy), Hawkins (by proxy), Andrews, Wilson, McConnell, Zorinsky (by proxy), Leahy, Melcher, Pryor (by proxy), Heflin, Harkin, and Helms.

(20) A motion was offered to prohibit CCC purchase of dairy products in any State that establishes its own milk prices and does not establish its prices in accordance with national standards. The motion was defeated by a 4 to 11 vote as follows:

Yeas: Boschwitz, Zorinsky, Boren, and Harkin.

Nays: Dole (by proxy), Lugar (by proxy), Cochran (by proxy), Hawkins (by proxy), Andrews, Wilson, McConnell, Leahy, Melcher, Heflin, and Helms.

(21) A motion was offered to eliminate class I differentials under Federal milk marketing orders. The motion was defeated by a 2 to 14 vote as follows:

Yeas: Boschwitz and Harkin.

Nays: Dole (by proxy), Lugar (by proxy), Cochran (by proxy), Hawkins (by proxy), Andrews, Wilson (by proxy), McConnell, Zorinsky, Leahy, Melcher, Pryor (by proxy), Boren, Heflin, and Helms.

(22) A motion was offered to establish for the 1986 crop of feed grains a target price for corn set at $3.30 per bushel for the first 45,000 bushels of production and $2.75 per bushel for the subsequent 90,000 bushels. The motion was defeated by a 5 to 10 vote as follows:

Yeas: Andrews, Melcher, Boren, Heflin, and Harkin.

Nays: Dole, Lugar (by proxy), Cochran, Boschwitz (by proxy), Hawkins (by proxy), Wilson (by proxy), McConnell, Zorinsky, Dixon (by proxy), and Helms.

(23) A motion was offered to establish for the 1986 crop of feed grains a target price for corn set at $3.30 per bushel for the first 37,000 bushels of production and $2.75 per bushel for the subsequent 98,000 bushels. The motion was defeated by a 5 to 11 vote as follows:

Yeas: Andrews, Melcher, Pryor, Boren, and Harkin.

Nays: Dole, Lugar (by proxy), Cochran, Boschwitz (by proxy), Hawkins (by proxy), Wilson (by proxy), McConnell, Zorinsky, Dixon (by proxy), Heflin, and Helms.

(24) A motion was offered to allow State option for haying and grazing under the wheat program in 1986 and State option for grazing in subsequent years. The motion was approved by a 9 to 8 vote as follows:

Yeas: Dole (by proxy), Cochran (by proxy), Andrews, Zorinsky, Leahy (by proxy), Melcher, Pryor (by proxy), Boren, and Heflin (by proxy).

Nays: Lugar, Boschwitz, Hawkins (by proxy), Wilson (by proxy), McConnell, Dixon, Harkin, and Helms.

(25) A motion was offered to prohibit summer-fallow acres from being counted as set-aside acreage. The motion was defeated by a 6 to 11 vote as follows:

Yeas: Lugar, Boschwitz, McConnell, Dixon (by proxy), Harkin, and Helms.

Nays: Dole (by proxy), Cochran (by proxy), Hawkins (by proxy), Andrews, Wilson (by proxy), Zorinsky, Leahy (by proxy), Melcher, Pryor, Boren, and Heflin.

(26) A motion was offered to provide that if a producer has historically produced two commodities on the same land in the same year and the producer diverts acreage from production of one commodity under an acreage reduction program, the Secretary must permit the planting of a second crop of the other commodity in such year on the diverted acreage. The motion was defeated by a 6 to 8 vote as follows:

Yeas: McConnell, Melcher, Pryor, Boren, Heflin, and Helms.

Nays: Dole (by proxy), Lugar (by proxy), Boschwitz, Hawkins (by proxy), Andrews, Wilson (by proxy), Zorinsky, and Harkin.

(27) A motion was offered to adopt the language in S. 501 regarding termination of the farmer-owned reserve. The motion was approved by a 9 to 7 vote as follows:

Yeas: Dole (by proxy), Lugar (by proxy), Cochran, Boschwitz (by proxy), Hawkins (by proxy), Andrews, Wilson (by proxy), McConnell (by proxy), and Helms.

Nays: Zorinsky, Leahy (by proxy), Melcher, Pryor (by proxy), Dixon (by proxy), Heflin (by proxy), and Harkin.

(28) A motion was offered to adopt honey program proposal that (1) sets the loan rate for 1986 and subsequent years, (2) establishes conditions for the repayment of loans, and (3) provides for loan deficiency payments. The motion was approved by a 9 to 6 vote as follows:

Yeas: Cochran (by proxy), Hawkins, Andrews, Zorinsky, Melcher, Pryor, Boren, Heflin, and Harkin.

Nays: Dole, Lugar (by proxy), Boschwitz, Wilson (by proxy), McConnell, and Helms.

(29) A motion was offered to amend the wool program by (1) reducing the support level by 10 percent per year until the levels equals 125 percent of the 5-year moving market average, (2) setting a payment limitation of $50,000 per producer, and (3) removing the cap on reimbursements to CCC for payments made to producers in any fiscal year. The motion was defeated by a 6 to 10 vote as follows:

Yeas: Dole, Lugar (by proxy), Boschwitz, McConnell, Dixon, and Helms.

Nays: Cochran (by proxy), Andrews, Wilson (by proxy), Zorinsky, Leahy (by proxy), Melcher, Pryor, Boren, Heflin, and Harkin.

(30) A motion was offered to establish a limitation of $50,000 on payments to wool producers. The motion was approved by a 10 to 6 vote as follows:

Yeas: Dole, Lugar (by proxy), Boschwitz, Hawkins (by proxy), Wilson (by proxy), McConnell, Pryor, Dixon, Harkin, and Helms.

Nays: Cochran (by proxy), Andrews, Zorinsky, Melcher, Boren, and Heflin.

(31) A motion was offered to establish a target loan concept for wheat and feed grains. The motion was defeated by an 8 to 9 vote as follows:

Yeas: Andrews, Leahy, Melcher, Pryor, Boren, Dixon, Heflin, and Harkin.

Nays: Dole, Lugar, Cochran, Boschwitz, Hawkins (by proxy), Wilson, McConnell (by proxy), Zorinsky, and Helms.

(32) A motion was offered to establish a National Commission on Agricultural Policy. The motion was approved by a 17 to 0 vote as follows:

Yeas: Dole, Lugar, Cochran, Boschwitz, Hawkins (by proxy), Andrews, Wilson, McConnell, Zorinsky, Leahy, Melcher, Pryor, Boren, Dixon, Heflin, Harkin, and Helms.

Nays: None.

(33) A motion was offered to freeze target prices for wheat and feed grains at the current levels for the 1986 through 1989 crop years. The motion was approved by a 9 to 8 vote as follows:

Yeas: Andrews, Zorinsky, Leahy, Melcher, Pryor (by proxy), Boren, Dixon, Heflin, and Harkin.

Nays: Dole, Lugar, Cochran, Boschwitz, Hawkins (by proxy), Wilson (by proxy), McConnell, and Helms.

(34) A motion was offered to adopt the "no provision" in S. 616 regarding the application of payment limitations to State-owned lands. The motion was approved by a 12 to 2 vote as follows:

Yeas: Dole (by proxy), Lugar (by proxy), Cochran (by proxy), Boschwitz, Hawkins (by proxy), Wilson (by proxy), McConnell (by proxy), Zorinsky, Pryor, Boren, Heflin, and Helms.

Nays: Andrews (by proxy) and Melcher.

(35) A motion was offered to continue current law regarding the asset limitation for households. The motion was approved by a 9 to 7 vote as follows:

Yeas: Lugar (by proxy), Cochran (by proxy), Boschwitz (by proxy), Hawkins (by proxy), Wilson (by proxy), McConnell (by proxy), Zorinsky, Boren, and Helms.

Nays: Dole, Leahy (by proxy), Melcher, Pryor (by proxy), Dixon, Heflin, and Harkin.

(36) A motion was offered to adopt section 104 of S. 969 to require that educational grants, loans, and scholarships be counted as income if provided as a vendor payment—and that no portion of a grant, scholarship, or loan be excluded from income as a reimbursement. The motion was defeated by an 8 to 8 vote as follows:

Yeas: Lugar (by proxy), Cochran (by proxy), Boschwitz, Hawkins, (by proxy), Wilson (by proxy), McConnell, Zorinsky, and Helms.

Nays: Dole, Andrews. Leahy, Melcher, Pryor, Dixon (by proxy), Heflin (by proxy), and Harkin.

(37) A motion was offered to adopt section 120 of S. 969 which amends the Jobs Training Partnership Act to require that payments made under that Act be counted as income in the food stamp program. The motion was approved by a 9 to 8 vote as follows:

Yeas: Dole, Lugar (by proxy), Cochran (by proxy), Hawkins (by proxy), Wilson (by proxy), McConnell, Zorinsky, Boren, and Helms.

Nays: Boschwitz, Andrews, Leahy, Melcher (by proxy), Pryor, Dixon, Heflin, and Harkin.

(38) A motion was offered to freeze cotton and rice target prices at 1985 levels for 4 years or for the same period as wheat and feed grains. The motion was approved by a 10 to 7 vote as follows:

Yeas: Cochran (by proxy), Andrews (by proxy), Zorinsky, Leahy (by proxy), Melcher, Pryor, Boren, Dixon (by proxy), Heflin, and Harkin.

Nays: Dole, Lugar (by proxy), Boschwitz, Hawkins, Wilson, McConnell, and Helms.

(39) A motion was offered to adopt the language in the USDA proposal regarding the treatment of energy assistance. The motion was defeated by a 6 to 10 vote as follows:

Yeas: Lugar (by proxy), Hawkins (by proxy), Wilson (by proxy), McConnell, Zorinsky, and Helms.

Nays: Dole, Cochran, Boschwitz, Andrews, Leahy (by proxy), Melcher, Pryor (by proxy), Boren (by proxy), Dixon, and Harkin.

(40) A motion was offered to adopt the language in the "bi-partisan" proposal regarding the treatment of energy assistance. The motion was approved by a 17 to 0 vote as follows:

Yeas: Dole (by proxy), Lugar (by proxy), Cochran, Boschwitz, Hawkins (by proxy), Andrews, Wilson (by proxy), McConnell, Zorinsky, Leahy (by proxy), Melcher, Pryor (by proxy), Boren (by proxy), Dixon, Heflin (by proxy), Harkin, and Helms.

Nays: None.

(41) A motion was offered to allow States to elect to operate a low-income nutrition assistance program in lieu of the Federal food stamp program. The motion was defeated by a 6 to 11 vote as follows:

Yeas: Dole, Lugar (by proxy), Hawkins (by proxy), Wilson (by proxy), McConnell, and Helms.

Nays: Cochran, Boschwitz, Andrews, Zorinsky, Leahy, Melcher, Pryor (by proxy), Boren, Dixon, Heflin (by proxy), and Harkin.

(42) A motion was offered to report out the original Zorinsky/Dole proposal with the following modifications: (1) 1985 target price levels would be maintained for 1986, and (2) for 1987, an advance payment would be made in dollar denominated certificates redeemable in CCC commodities. The amount of the payment would be equal to the difference between the 1986 and 1987 target price levels. This payment would not be subject to the payment limitation. The motion was defeated by an 8 to 9 vote as follows:

Yeas: Dole (by proxy), Lugar, Cochran, Boschwitz, Hawkins (by proxy), Wilson (by proxy), McConnell, and Helms.

Nays: Andrews, Zorinsky, Leahy (by proxy), Melcher, Pryor, Boren, Dixon, Heflin, and Harkin.

(43) A motion was offered to (1) require the same mandatory marketing loan for wheat and feed grains as applies to rice, and (2) allow loan repayment at the higher of 70 percent of the loan rate or the current market price. The motion was approved by a 14 to 1 vote as follows:

Yeas: Dole, Lugar, Cochran, Boschwitz, Hawkins, Andrews, Wilson (by proxy), McConnell, Zorinsky, Pryor, Boren, Dixon, Harkin, and Helms.

Nays: Melcher.

Present: Leahy and Heflin.

(44) A motion was offered to set the maximum acreage reduction for feed grains at 10 percent. The motion was defeated by an 8 to 9 vote as follows:

Yeas: Lugar, Boschwitz, Andrews, Wilson (by proxy), Pryor, Boren, Dixon, and Harkin.

Nays: Dole, Cochran, Hawkins (by proxy), McConnell, Zorinsky, Leahy (by proxy), Melcher, and Helms.

(45) A motion was offered to allow producers of wheat and feed grains to receive 100 percent of deficiency payments if the producer produces a program crop on at least 50 percent of the acreage base (adjusted by the ARP). The motion was defeated by a 6 to 11 vote as follows:

Yeas: Lugar (by proxy) Boschwitz, Andrews, Boren, Harkin, and Helms.

Nays: Dole, Cochran, Hawkins, Wilson (by proxy), McConnell, Zorinsky, Leahy (by proxy) Melcher, Pryor, Dixon, and Heflin.

(46) A motion was made to provide that the base for crop years 1986 through 1988 under the wheat, feed grains, upland cotton, and rice programs would be the average acreage planted to those commodities in crop years 1981 through 1985 and that the base for subsequent years would be the average acreage planted in the 5 preceding crop years. The motion was defeated by an 8 to 9 vote as follows:

Yeas: Dole, Lugar (by proxy), Boschwitz, Hawkins, Wilson (by proxy), McConnell, Harkin, and Helms.

Nays: Cochran, Andrews, Zorinsky, Leahy, Melcher, Pryor, Boren, Dixon, and Heflin.

(47) A motion was made to provide for a 2 year freeze of target prices for wheat, feed grains, upland cotton, and rice with no more than 5 percent reduction in subsequent years. The motion was approved by a 9 to 8 vote as follows:

Yeas: Dole, Lugar (by proxy), Cochran, Boschwitz, Hawkins, Wilson (by proxy), McConnell, Zorinsky, and Helms.

Nays: Andrews, Leahy, Melcher, Pryor, Boren, Dixon, Heflin, and Harkin.

(48) A motion was offered to adopt the Helm/Zorinsky proposal that would provide for a gradual shift from direct to guaranteed loans, under the farm ownership and operating loan programs, consolidate the authorizations for such programs, and provide for an interest-rate buy-down. The motion was approved by a 10 to 5 vote as follows:

Yeas: Dole (by proxy), Lugar (by proxy), Boschwitz (by proxy), Hawkins (by proxy), Andrews (by proxy), Wilson (by proxy), McConnell (by proxy), Zorinsky, Leahy (by proxy), and Helms.

Nays: Cochran, Pryor (by proxy), Boren, Heflin, and Harkin (by proxy).

Present: Melcher.

(49) A motion was offered to set the emergency loan limit at the lesser of the actual loss or $200,000 per disaster and to set at $400,000 the outstanding principal balance on emergency loans made or insured to borrowers. The motion was approved by a 9 to 6 vote as follows:

Yeas: Dole (by proxy), Lugar, Boschwitz, Hawkins (by proxy), Wilson (by proxy), McConnell, Zorinsky, Harkin, and Helms.

Nays: Cochran (by proxy), Andrews (by proxy), Melcher, Pryor, Boren, and Heflin.

Present: Leahy.

(50) A motion was offered to require the Farm Credit Administration to develop and implement a plan to guarantee the repurchase at face value of all class B stock in each Production Credit Association in the event of the Association's liquidation. The motion was defeated by a 2 to 10 vote as follows:

Yeas: Melcher and Boren.

Nays: Dole (by proxy), Lugar (by proxy), Cochran (by proxy), Boschwitz (by proxy), Hawkins, Wilson (by proxy), McConnell, Zorinsky, Pryor, and Helms.

Present: Heflin.

(51) A motion was offered to exclude from income that portion of any educational loan, grant, or scholarship used for the payment of expenses of household members for books, uniforms, and equipment necessary to attending school. The motion was defeated by an 8 to 9 vote as follows:

Yeas: Andrews (by proxy), Leahy, Melcher, Pryor (by proxy), Boren, Dixon (by proxy), Heflin (by proxy), and Harkin.

Nays: Dole (by proxy), Lugar (by proxy), Cochran (by proxy), Boschwitz, Hawkins (by proxy), Wilson (by proxy), McConnell, Zorinsky, and Helms.

(52) A motion was offered to extend the authorization for appropriations under the Temporary Emergency Food Assistance Program (TEFAP) for payments to States for costs of storage and distribution of commodities through fiscal year 1987 at $57 million annually. The motion was defeated by a 7 to 9 vote as follows:

Yeas: Andrews, Leahy, Melcher, Pryor, Boren, Dixon, and Harkin.

Nays: Dole (by proxy), Lugar (by proxy), Cochran (by proxy), Boschwitz, Hawkins (by proxy), Wilson (by proxy), McConnell (by proxy), Zorinsky, and Helms.

(53) A motion was offered to extend for 6 months the authorization for appropriations under TEFAP of $25 million for payments to States for costs of storage and distribution of commodities. The motion was defeated by a 6 to 9 vote as follows:

Yeas: Lugar (by proxy), Hawkins (by proxy), Wilson (by proxy), McConnell, Zorinsky, and Helms.

Nays: Cochran, Boschwitz, Andrews (by proxy), Leahy, Melcher, Pryor, Boren, Dixon (by proxy), and Harkin.

(54) A motion was offered to extend the authority for appropriations under TEFAP for payments to States for costs of storage and distribution of commodities through fiscal year 1987, provided (1)

that States participate on a 50-50 cost-share basis, allowing in-kind services to be counted toward the State's contribution, and (2) the Federal payment could not exceed $50 million annually. The motion was defeated by a 4 to 10 vote as follows:

Yeas: Boschwitz, Andrews, Boren, and Harkin.

Nays: Dole (by proxy), Lugar (by proxy), Cochran, Hawkins (by proxy), Wilson (by proxy), McConnell, Zorinsky, Leahy, Melcher, and Helms.

(55) A motion was offered to extend the authority for appropriations under TEFAP for payments to States for costs of storage and distribution of commodities through fiscal year 1987, provided the States participate on a 50-50 cost-share basis, and the Federal payment could not exceed $50 million annually. The motion was approved by a 12 to 2 vote as follows:

Yeas: Dole (by proxy), Lugar (by proxy), Boschwitz, Hawkins (by proxy), Andrews, Wilson (by proxy), McConnell, Zorinsky, Leahy, Melcher, Boren, and Helms.

Nays: Cochran and Harkin.

(56) a motion was offered to require State agencies to place in employment and training program activities food stamp recipients subject to employment requirements as follows: by the end of fiscal years 1986, 25 percent; 1987, 35 percent; 1988, 35 percent; 1989, 45 percent; 1990, 55 percent; and 1991, 60 percent. The motion was defeated by a 5 to 12 vote as follows:

Yeas: Lugar (by proxy), Hawkins (by proxy), Wilson (by proxy), Zorinsky, and Helms.

Nays: Dole, Cochran (by proxy), Boschwitz (by proxy), Andrews, McConnell, Leahy, Melcher, Pryor (by proxy), Boren, Dixon, Heflin, and Harkin.

(57) A motion was offered to require State agencies to place in employment and training program activities persons subject to employment requirements and on the food stamp program for a period exceeding 2 consecutive months. The motion was defeated by a 2 to 11 vote as follows:

Yeas: Boren and Dixon.

Nays: Dole, Boschwitz (by proxy), Andrews, McConnell, Zorinsky, Leahy, Melcher, Pryor (by proxy), Heflin, Harkin, and Helms.

(58) A motion was offered to require that a State agency place in employment and training program activities not less than 25 percent of the persons subject to employment requirements and on the food stamp program for a period to exceed 30 days by the end of the fiscal year beginning October 1, 1987, 35 percent of such persons by the end of the fiscal year beginning October 1, 1988, 45 percent of such persons by the end of the fiscal year beginning October 1, 1990. The motion was approved by a 10 to 5 vote as follows:

Yeas: Dole, Lugar (by proxy), Boschwitz (by proxy), Hawkins (by proxy), Wilson (by proxy), Zorinsky, Boren, Dixon, Heflin, and Helms.

Nays: Cochran (by proxy), Andrews, McConnell, Pryor (by proxy), and Harkin.

Present: Leahy and Melcher.

(59) A motion was offered to permit States to elect to participate in a nutrition assistance block-grant program. The motion was defeated by a 5 to 12 vote as follows:

Yeas: Dole (by proxy), Lugar (by proxy), Wilson, McConnell (by proxy), and Helms.

Nays: Cochran, Boschwitz, Hawkins, Andrews, Zorinsky, Leahy, Melcher, Pryor (by proxy), Boren (by proxy), Dixon, Heflin, and Harkin.

(60) A motion was offered to table a proposal regarding error rate and penalties imposed on States with error rates exceeding 5 percent. The motion to table was defeated by an 8 to 9 vote as follows:

Yeas: Dole, Lugar (by proxy), Hawkins (by proxy), Wilson (by proxy), McConnell (by proxy), Zorinsky, Melcher, and Helms.

Nays: Cochran (by proxy), Boschwitz, Andrews (by proxy), Leahy, Pryor (by proxy), Boren, Dixon, Heflin, and Harkin.

(61) A motion was offered to amend proposed beef promotion check-off program to (1) allow for refund of assessment until such time as producers vote affirmatively in referendum and (2) that such referendum be held within 12 to 24 months of the issuance of the order. The motion was defeated by a 4 to 11 vote as follows:

Yeas: Dole, Lugar (by proxy), Harkin, and Helms.

Nays: Cochran, Hawkins, Andrews (by proxy), Wilson (by proxy), McConnell (by proxy), Zorinsky, Leahy (by proxy), Melcher, Boren, Dixon, and Heflin.

(62) A motion was offered to establish a National Cattlemen's Beef Promotion and Research Board. The motion was approved by a 12 to 3 vote as follows:

Yeas: Cochran, Hawkins, Andrews (by proxy), Wilson (by proxy), McConnell (by proxy), Zorinsky, Leahy (by proxy), Melcher, Boren, Dixon, Heflin, and Harkin.

Nays: Dole, Lugar (by proxy), and Helms.

(63) A motion was offered to authorize that eligible commodities furnished under section 416(b) of the Agricultural Act of 1949 be furnished in connection with (1) concessional sales and export bonus or promotion programs of the United States and (2) agreements of recipient countries to acquire additional quantities of United States agricultural commodities through commercial sales arrangements. The motion was defeated by a 7 to 9 vote as follows:

Yeas: Andrews (by proxy), Leahy (by proxy), Melcher, Boren (by proxy), Dixon (by proxy), Heflin, and Harkin (by proxy).

Nays: Dole (by proxy), Lugar (by proxy), Cochran (by proxy), Boschwitz (by proxy), Hawkins (by proxy), Wilson (by proxy), McConnell (by proxy), Zorinsky, and Helms.

(64) A motion was offered to increase to 2,000,000 metric tons the amount of eligible commodities required to be furnished to nonprofit voluntary agencies and cooperatives in each fiscal year under section 416 and specify that one-half of those commodities be grains and cereals. The motion was defeated by an 8 to 9 vote as follows:

Yeas: Andrews, Leahy (by proxy), Melcher, Pryor (by proxy), Boren (by proxy), Dixon (by proxy), Heflin, and Harkin (by proxy).

Nays: Dole (by proxy), Lugar (by proxy), Cochran (by proxy), Boschwitz, Hawkins (by proxy), Wilson (by proxy), McConnell (by proxy), Zorinsky, and Helms.

(65) A motion was offered to (1) freeze target prices in 1986 at 1985 levels (except $11.12 for rice), with a 5 percent reduction each year thereafter; (2) reduce the acreage base on which deficiency payments would be made each year; (3) base deficiency payments on

the season average price for wheat, feed grains, and rice; and pay 90 percent of the estimated deficiency payment at the normal time, based on the first 5 months of the market year; (4) reduce the dairy price support level by $.50 on January 1, 1986; (5) reduce the 10 million acres required for the conservation reserve in 1986 to 5 million acres, and add 10 million acres in both 1987 and 1988; (6) require 50 percent cost sharing on the establishment of a cover crop on conservation reserve land; and (7) reduce the intermediate export credit program from $1.0 billion to $500 million per year and use only credit guarantees instead of direct credit. The motion was defeated by a 5 to 11 vote as follows:

Yeas: Lugar (by proxy), Cochran (by proxy), Hawkins (by proxy), Wilson (by proxy), and Helms.

Nays: Boschwitz, Andrews, McConnell, Zorinsky, Leahy (by proxy), Melcher, Pryor, Boren, Dixon, Heflin, and Harkin.

(66) A motion was offered to authorize the Secretary of Agriculture to reduce, by not more than 5 percent, the target prices for the 1988 and 1989 crops only if the Secretary determines that the cost of production for the respective crop of such commodity will be 5 percent below the cost of production of such commodity for the preceding crop. The motion was defeated by a 4 to 13 vote as follows:

Yeas: Dole, Zorinsky, Leahy (by proxy), and Dixon (by proxy).

Nays: Lugar (by proxy), Cochran (by proxy), Boschwitz, Hawkins, Andrews, Wilson (by proxy), McConnell, Melcher, Pryor, Boren, Heflin, Harkin, and Helms.

(67) A motion was offered to amend a 4-year target price freeze proposal for wheat, feed grains, cotton, and rice at 1985 levels by deleting the provision requiring a referendum for wheat. The moiton was defeated by an 8 to 9 vote as follows:

Yeas: Dole, Lugar (by proxy), Cochran (by proxy), Boschwitz, Hawkins, Wilson (by proxy), McConnell, and Helms.

Nays: Andrews, Zorinsky, Leahy (by proxy), Melcher, Pryor, Boren, Dixon (by proxy), Heflin, and Harkin (by proxy).

(68) A motion was offered to freeze target prices for wheat, feed grains, cotton, and rise at the 1985 levels for 4 years. The motion was approved by a 10 to 7 vote as follows:

Yeas: Andrews, McConnell, Zorinsky, Leahy (by proxy), Melcher, Pryor, Boren, Dixon (by proxy), Heflin, and Harkin.

Nays: Dole, Lugar (by proxy), Cochran (by proxy), Boschwitz, Hawkins, Wilson (by proxy), and Helms.

(69) A motion was offered to require that unspent funds from the Commodity Supplemental Food Program be transferred to be made available under the WIC program. The motion was defeated by an 8 to 9 vote as follows:

Yeas: Dole, Lugar (by proxy), Cochran (by proxy), Wilson (by proxy), McConnell (by proxy), Zorinsky, Heflin, and Helms.

Nays: Boschwitz, Hawkins, Andrews, Leahy, Melcher, Pryor (by proxy), Boren, Dixon (by proxy), and Harkin (by proxy).

(70) A motion was offered to set the food stamp authorization level at 2.5 percent over the current baseline for food stamp expenditures for fiscal years 1986 through 1989. The motion was approved by a 10 to 7 vote as follows:

Yeas: Cochran (by proxy), Boschwitz, Andrews, Leahy (by proxy), Melcher, Pryor (by proxy), Boren, Dixon (by proxy), Heflin, and Harkin (by proxy).

Nays: Dole, Lugar (by proxy), Hawkins, Wilson (by proxy), McConnell, Zorinsky, and Helms.

(71) A motion was offered to order to be reported the 1985 farm bill. The motion was approved by a 10 to 6 vote as follows:

Yeas: Dole, Cochran (by proxy), Andrews, McConnell, Zorinsky, Melcher, Pryor (by proxy), Boren, Dixon (by proxy), and Heflin.

Nays: Lugar (by proxy), Boschwitz, Hawkins, Wilson (by proxy), Harkin (by proxy), and Helms.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE I—AGRICULTURAL EXPORTS AND PUBLIC LAW 480

FOOD FOR PEACE ACT OF 1966

* * * * * * *

SEC. 4. (a) Commercial export sales of agricultural commodities out of private stocks on credit terms of not to exceed three years may be financed by the Commodity Credit Corporation under its export credit sales program.

(b)(1) Export sales of agricultural commodities out of Commodity Credit Corporation and private stocks on credit terms in excess of three years, but not more than ten years, may be financed by the Commodity Credit Corporation. *In addition, the Corporation may guarantee the repayment of loans made to finance such sales.*

(2) No export sale may be financed , *and no loan may be guaranteed,* under this subsection unless the Secretary of Agriculture determines that the sale will—

(A) develop, expand, or maintain the importing nation as a foreign market, on a long-term basis, for the commercial sale and export of United States agricultural commodities without displacing normal commercial sales; [or]

(B) otherwise improve the capability of the importing nation to purchase and use, on a long-term basis, United States agricultural commodities[.]*; or*

(C) otherwise promote the export of United States agricultural commodities.

(3) The Secretary is encouraged, to the maximum extent practicable, to finance or guarantee the export sales of agricultural commodities under this subsection to purchasers from—

(A) countries that are previous recipients of credit extended under title I of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.);

(B) countries unable, as determined by the Secretary, to utilize other short-term export credit programs offered by the Secretary or the Commodity Credit Corporation; and

(C) countries that are friendly countries, as defined in section 103(d) of such Act (7 U.S.C. 1703(d)).

[(3)**]** *(4)* Consistent with the provisions of paragraph (2) of this subsection, intermediate credit financing *or guarantee* under this subsection may be made available for the following uses:

(A) to establish reserve stocks consistent with international commodity agreements or other stock building plans acceptable to the United States;

(B) the export sale of breeding animals (including, but not limited to, cattle, swine, sheep, and poultry), including the cost of freight from the United States to designated points of entry in other nations;

(C) where determined feasible, for the establishment of facilities in the importing nation to improve handling, marketing, processing, storage, or distribution of imported agricultural commodities (through the use of local currency generated from the import and sale of United States agricultural commodities to finance all or part of such facilities); **[**and**]**

(D) to meet **[**credit**]** competition for agricultural export sales**[**.**]***;*

(E) to finance the importation of agricultural commodities by developing nations for use in meeting their food and fiber needs; and

(F) otherwise to promote the export sales of agricultural commodities.

[(4)**]** *(5)* Intermediate credit financing *or guarantees* under this subsection may not be used **[**to encourage credit competition, or**]** for the purpose of foreign aid or debt rescheduling.

[(5)**]** *(6)(A)* The terms of credit for export sales financed under this subsection shall include the following terms:

[(A) *(i)* Repayment shall be in dollars with interest at a rate equal, as nearly as practicable, to the rate charged by the Commodity Credit Corporation for financing under the Corporation's short-term export credit sales program.**]**

(i) Repayment shall be in dollars with interest at a rate determined by the Secretary.

[(B)**]** *(ii)* The Secretary may, if the Secretary deems such action appropriate to protect the interests of the United States, require an initial payment from the purchaser at the time of sale or shipment of the agricultural commodity.

(B) Contracts of guarantee under this subsection shall contain such terms and conditions as the Commodity Credit Corporation shall determine.

[*(6)***]** *(7)* The Secretary shall, wherver feasible, obtain commitments from purchasers that will prevent resale or transshipment to other nations of agricultural commodities purchased with financing *or guarantees* provided under this subsection.

[(7)(A) Agreements to finance export sales of agricultural commodities entered into under this subsection, except agreements to finance export sales for the establishment of reserve stocks, shall be subject to such other terms and conditions as the Secretary may deem necessary or appropriate and shall be subject only to review by the National Advisory Council on International Monetary and Financial Policies.

[(B) Agreements to finance export sales of agricultural commodities under this subsection for the establishment of reserve stocks shall be subject to such other terms and conditions as the Secretary may deem necessary and appropriate. No such agreement may become effective or be carried out until the expiration of thirty days following the date on which a detailed summary of such proposed agreement, together with a determination by the President that such financing is not adverse to the interests of United States producers of agricultural commodities, is transmitted by the Secretary to the Commmittee on Agriculture, Nutrition, and Forestry of the Senate and the Committee on Agriculture of the Housee of Representatives, if transmitted while Congress is in session, or sixty days following the date of transmittal if transmitted while Congress is not in session.]

(8) The provisions of the cargo preference laws shall not apply to export sales financed *or guaranteed* under this subsection.

(9) The authority provided under this subsection shall be in addition to, and not in place of, any authority granted to the Secretary or the Commodity Credit Corporation under any other provision of law.

(10) For purposes of financing or guarenteeing export sales under this subsection, the Commodity Credit Corporation shall make available—

(A) for the fiscal year ending September 30, 1985, to the extent practicable, not less than $500,000,000;

(B) for each of the fiscal years ending September 30, 1986, September 30, 1987, and September 30, 1988, not less than $1,000,000,000; and

(C) for each of the fiscal years ending September 30, 1989, September 30, 1990, and September 30, 1991, not more than $1,000,000,000.

(c) The term "agricultural commodity" as used in this section includes any agricultural commodity (including fish, without regard to whether such fish are harvested in aquacultural operations) or product thereof.

(d) (1) There is hereby established in the Treasury a revolving fund to be known as the Agricultural Export Credit Revolving Fund, which shall be available without fiscal year limitation for use by the Commodity Credit Corporation (hereafter referred to in this subsection as the "Corporation") for financing in accordance with this section and section 5(f) of the Commodity Credit Corporation Charter Act the following—

* * * * * * *

(6) The revolving fund created by this subsection is abolished effective October 1, [1985], *1989,* and all unobligated money in such fund on September 30, [1985], *1989,* shall be transferred to and become part of the miscellaneous receipts account of the Treasury.

(7) The authority provided under this subsection shall be in addition to, and not in lieu of, any authority granted to the Secretary or the Corporation under any other provision of law.

(8) The authority provided under this subsection to incur obligations to make loans shall be effective only to the extent that such

obligations do not exceed annual limitations on new direct loan obligations which shall be provided in annual appropriations Acts.

AGRICULTURE AND FOOD ACT OF 1981

*   *   *   *   *   *   *

AGRICULTURAL EMBARGO PROTECTION

SEC. 1204. Notwithstanding any other provision of law—

(a) If the President or other member of the executive branch of the Federal Government causes the export of any agricultural commodity to any country or area of the world to be suspended or restricted for reasons of national security or foreign policy under the Export Administration Act of 1979 or any other provision of law, and if such suspension or restriction of the export of such agricultural commodity is imposed other than in connection with a suspension or restriction of all exports from the United States to such country or area of the world, and if sales of such agricultural commodity for export from the United States to such country or area of the world during the year preceding the year in which the suspension or restriction is imposed exceed 3 per centurm of the total sales of such commodity for export from the United States to all foreign countries during the year preceding the year in which the suspension or restriction is in effect, the Secreary of Agriculture shall compensate producers of the commodity [involved by—

[(1) making payments available to such producers, as provided in subsection (b) of this section;

[(2) on the date on which the suspension or restriction is imposed, establishing the loan level for such commodity under the Agricultural Act of 1949, if a loan program is in effect for the commodity, at 100 per centum of the parity price for the commodity, as determined by the Secretary on the date of the imposition of the suspension or restriction; or

[(3) undertaking any combination of the measures described in clauses (1) and (2) of this subsection.] *Involved by making payments available to such producers, as provided in subsection (b) of this section.*

(b) If the Secretary makes payments available to producers pursuant to [clause (1) of] subsection (a) of this section, the amount of such payment shall be determined by—

(1) in the case of an agricultural commodity for which payments are authorized to be made to producers under title I of the Agricultural Act of 1949, multiplying (A) the producer's farm program payment yield or the yield established for the farm for the commodity involved, times (B) the farm program acreage established for the commodity, times (C) the amount by which the average market price per unit of such commodity received by producers during the sixty-day period immediately following the date of the imposition of the suspension or restriction is less than 100 per centum of the parity price for such commodity, as determined by the Secretary on the date of the imposition of the suspension or restriction; or

(2) in the case of other agricultural commodities for which price support is authorized for producers under the Agricultur-

al Act of 1949, multiplying the amount by which the average market price per unit of such commodity received by the producers during the sixty-day period immediately following the date of the imposition of the suspension or restriction is less than 100 per centum of the parity price for such commodity, as determined by the Secretary on the date of the imposition of the suspension or restriction, by the quantity of such commodity sold by the producer during the period that the suspension or restriction is in effect.

(c) The payments made pursuant to clause (1) of subsection (b) of this section shall be made for each marketing year or part thereof during which the suspension or restriction is in effect and shall be made in equal amounts at ninety-day intervals, beginning ninety days after the date of the imposition of the suspension or restriction.

⟦(d)(1) Any loan level established pursuant to clause (2) of subsection (a) of this section shall remain in effect as long as the suspension or restriction described in subsection (a) remains in effect.

⟦(2) Any commodity loan the level of which is increased by the Secretary pursuant to clause (2) of subsection (a) of this section shall be made available to producers of the commodity without interest.⟧

⟦(e)⟧*(d)* The Secretary may issue such regulations as are deemed necessary to carry out the provisions of this section.

⟦(f)⟧*(e)* The Secretary shall use the Commodity Credit Corporation in carrying out the provisions of this section.

⟦(g)⟧*(f)* The provisions of this section shall become effective with respect to any suspension or restriction of the export of any agricultural commodity, as described in subsection (a) of this section, implemented after the date of enactment of this Act.

* * * * * * *

COMMODITY CREDIT CORPORATION CHARTER ACT

AN ACT To provide a Federal Charter for the Commodity Credit Corporation

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Commodity Credit Corporation Charter Act."

* * * * * * *

SEC. 4. GENERAL POWERS.—The Corporation—

* * * * * * *

(h) May contract for the use, in accordance with the usual customs of trade and commerce, of plants and facilities for the physical handling, storage, processing, servicing, and transportation of the agricultural commodities subject to its control. The Corporation shall have power to acquire personal property necessary to the conduct of its business but shall not have power to acquire real property or any interest therein except that it may (a) rent or lease office space necessary for the conduct of its business and (b) acquire real property or any interest therein for the purpose of providing storage adequate to carry out effectively and efficiently any of the Corporation's programs, or of securing or discharging obligations owing to the Corporation, or or otherwise protecting the financial interests of the Corporation: *Provided,* That the authority contained in this subsection (h) shall not be utilized by the Corporation for the purpose of acquiring real property, or any interest therein, in order to provide storage facilities for any commodity unless the Corporation determines that existing privately owned storage facilities for such commodity in the area concerned are not adequate: *Provided further,* That no refrigerated cold storage facilities shall be constructed or purchased except with funds specially provided by Congress for that purpose: *And provided further,* That nothing contained in this subsection (h) shall limit the duty of the Corporation, to the maximum extent practicable consistent with the fulfillment of the Corporation's purposes and the effective and efficient conduct of its business, to utilize the usual and customary channels, facilities, and arrangements of trade and commerce in the warehousing of commodities: *And provided further,* That to encourage the storage of grain on farms, where it can be stored at the lowest cost, the Corporation may make loans to grain growers needing storage facilities when such growers shall apply to the Corporation for financing the construction or purchase of suitable storage, and these loans shall be deducted from the proceeds of price support loans or purchase agreements made between the Corporation and the growers, except that the Secretary shall make such loans in areas in which the Secretary determines that there is a deficiency of such storage. To encourage the alleviation of natural resource conservation problems that reduce the productive capacity fo the Nation's land and water resources or that cause degradation of environmental qualtity, the Corporation may, beginning with enactment of the Agriculture and Food Act of 1981, make loans to any agricultural producer for those natural resource conservation and environmental enhancement measures that are recommended by the applicable county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act and are included in the producer's conservation plan approved by the local soil and water conservation district; such loans shall be for a period not to exceed ten years at a rate of interest based upon the rate of interest charged the Corporation by the United States Treasury; the Corporation may make loans to any one producer in any fiscal year in an amount not to exceed $25,000; loans up to $10,000 in amount may be unsecured and loans in excess of $10,000 shall be secured; and the total of such unsecured and secured loans made in each fiscal year shall not exceed $200,000,000: *Provided,* That the authority privided by this sentence to make loans shall be effective only to the extent and in such amounts as may be provided for in prior appropriation Acts. Notwithstanding any other provision of law, the Commodity Credit Corporation **[**is authorized,**]** *shall, to the maximum extent practicable, in consultation with the Secretary of State, and* upon terms and conditions prescribed or approved by the Secretary of Agriculture, **[**to**]** accept strategic and critical materials produced abroad in exchange for agricultural commodities acquired by the Corporation. Insofar as practicable, in effecting such exchange of goods, **[**normal commercial trade channels shall be utilized and priority shall be given**]** *the Secretary shall: (1) use normal commercial trade channels; (2) take action to* *avoid displacing usual marketings of United States agricultural commodities and the products thereof; (3) take reasonable precautions to prevent the resale or transshipment to other countries, or use for other than domestic use in the importing country, or agricultural commodities used for such exchange; and (4) give priority* to commodities easily storable and those which serve as prime incentive goods to stimulate production of critical and strategic materials.*The Corporation may solicit bids from, and utilize, private trading firms to effect such exchange of goods.* The determination of the quantities and qualities of such materials which are desirable for stockpiling and the determination of which materials are strategic and critical shall be made in the manner prscribed by section 3 of the Strategic and Critical Minerals Stock Piling Act (50 U.S.C. 98 *et seq.*) Strategic and critical materials acquired by Commodity Credit Corporation in exchange for agricultural commodities shall, to the extent approved by the President be transferred to the stock pile provided for by the Strategic and Critical Materials Stock Piling Act; and [when] *in the same fiscal year such materials are* transferred to the stock pile the Commodity Credit Corporation shall be reimbursed for the strategic and critical materials so transferred to the stock pile from the funds made available for the purpose of the Strategic and Critical Materials Stock Piling Act, in an amount equal to the fair market value, as determined by the Secretary of the Treasury, of the material transferred to the stock pile. *If the volume of petroleum products (including crude oil) stored in the Strategic Petroleum Reserve is less than the level prescribed under section 154 of the Energy Policy and Conservation Act (42 U.S.C. 6234), the Corporation shall, to the maximum extent practicable, with the approval of the Secretary of Agriculture, and in consultation with the Secretary of Energy and the Secretary of State, accept petroleum products (including crude oil) produced abroad in exchange for agricultural commodities acquired by the Corporation and shall transfer the petroleum products, without reimbursement, to the Secretary of Energy to be placed in the Reserve.* Nothing contained herein shall limit the authority of the Commodity Credit Corporation to acquire, hold, or dipose of such quantity of strategic and critical materials as it deems advisable in carrying out its functions and protecting its assets: *Provided,* That, notwithstanding any other provision of law, where a grain storage facility owned by the Corporation is not needed by the Corporation and, upon being offered for sale no person offers to pay the minimum price set by the Corporation for such facility for use in connection with storage or handling of agricultural commodities, then the Corporation may, without declaring such facility to be excess property, sell it by bids at not less than such minimum price to any public or private nonprofit agency or organization for use for the purposes of such agency or organization. This provision shall apply also to facilities which on the effective date of this Act have been declared excess to the needs of the Commodity Credit Corporation but have not been claimed by any other Government agency, or surplus to the needs of the Government but not disposed of pursuant to the provisions of the Federal Property and Administrative Services Act of 1949, as amended.

* * * * * * *

AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

Public Law 480–83d Congress

AN ACT To increase the consumption of United States agricultural commodities in foreign countries, to improve the foreign relations of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Trade Development and Assistance Act of 1954".

SEC. 2. The Congress hereby declares it to be the policy of the United States to expand international trade; to develop and expand export markets for United States agricultural commodities; to use the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage economic development in the developing countries, with particular emphasis on assistance to those countries that are determined to improve their own agricultural production; *to use foreign currencies accuring under this Act to foster and encourage the development of private enterprise in developing countries; to enhance food security in developing countries through local food production;* and to promote in other ways the foreign policy of the United States. In furnishing food aid under this Act, the President shall—

(1) give priority consideration, in helping to meet urgent food needs abroad to making available the maximum feasible volume of food commodities (with appropriate regard to domestic price and supply situations) required by those countries most seriously affected by food shortages and by inability to meet immediately food requirements on a normal commercial basis;

(2) continue to urge all traditional and potential new donors of food, fertilizer, or the means of financing these commodities to increase their participation in efforts to address the emergency and longer term food needs of the developing world;

(3) relate United States assistance to efforts by aid-receiving countries to increase their own agricultural production, with emphasis on development of small, family farm agriculture, and improve their facilities for transportation, storage, and distribution of food commodities;

(4) give special consideration to the potential for expanding markets for America's agricultural abundance abroad in the allocation of commodities or concessional financing; and

(5) give appropriate recognition to and support of a strong and viable American farm economy in providing for the food security of consumers in the United States and throughout the world.

* * * * * * *

TITLE I

[SEC. 101. In order to carry out the policies and accomplish the objectives set forth in section 2 of this Act, the President is authorized to negotiate and carry out agreements with friendly countries to provide for the sale of agricultural commodities for dollars on credit terms or, to the extent that sales for dollars under the terms applicable to such sales are not possible, for foreign currencies on credit terms and on terms which permit conversion to dollars at the exchange rate applicable to the sales agreement.]

SEC. 101. (a) In order to carry out the policies and accomplish the objectives set forth in section 2, the President is authorized to negotiate and carry out agreements with friendly countries to provide for the sale of agricultural commodities—

(1) for dollars on credit terms;

(2) to the extent that sales for dollars under the terms applicable to such sales are not possible, for foreign currencies on credit terms and on terms that permit conversion to dollars at the exchange rate applicable to the sales agreement; or

(3) for foreign currencies for use under section 108 on terms that permit conversion to dollars.

(b)(1) Except as provided in paragraph (2), for the fiscal year ending September 30, 1986, and each fiscal year thereafter, sales for foreign currencies for use under section 108 under agreements entered into under this title shall be made at an annual level of—

(A) not less than the higher of—

(i) 25 percent of the aggregate value of all sales of agricultural commodities made under this title; or

(ii) 500,000 metric tons; and

(B) not more than 50 percent of the aggregate value of all such sales.

(2)(A) For each of the fiscal years ending September 30, 1986, September 30, 1987, and September 30, 1988, except as provided in subparagraph (B), the President may reduce the minimum level of sales for foreign currencies prescribed under paragraph (1)(A) if—

(i) there is an insufficient number of approved financial intermediaries that have entered into agreements with the Secretary of Agriculture to carry out the program provided for in section 108;

(ii) there are insufficient requests made by such intermediaries for loan funds to utilize the foreign currencies generated by such sales; or

(iii) the Secretary requires additional time to implement such program.

(B) The President may not reduce the minimum level of sales for foreign currencies under subparagraph (A) below an annual level of less than—

(i) for the fiscal year ending September 30, 1986, 5 percent of the aggregate value of all sales of agricultural commodities made under this title during such fiscal year;

(ii) for the fiscal year ending September 30, 1987, 10 percent of the aggregate value of all sales of agricultural commodities made under this title during such fiscal year; and

(iii) for the fiscal year ending September 30, 1988, 15 percent of the aggregate value of all sales of agricultural commodities made under this title during such fiscal year.

(C) Agreements for sales for foreign currency in a developing country for use under section 108 may not be entered into to the extent that such agreements would generate currency in amounts that cannot be productively used and absorbed in the private sector of such country.

(D) Sales for foreign currencies for use under section 108 under agreements entered into under this title shall be made on such terms and conditions as are specified in such agreements.

SEC. 103. In exercising the authorities conferred upon him by this title, the President shall—

(a) take into account efforts of friendly countries to help themselves toward a greater degree of self-reliance, including efforts to increase their own agricultural production, especially through small, family farm agriculture, to improve their facilities for transportation, storage, and distribution of food commodities, and to reduce their rate of population growth;

(b) except where the President determines that it would be inconsistent with the objectives of this Act, determines the amount of foreign currencies needed for the uses specified in subsections (a), (b), (e), and (h) of section 104, *in section 108,* and in title III, and the agreements for credit sales shall provide for payment of such amounts in dollars or in foreign currencies upon delivery of the agricultural commodities; and such payment may be considered as an advance payment of the earliest installments;

(c) take reasonable precautions to safeguard usual marketings of the United States and to assure that sales under this title will not unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;

(d) make sales agreements only with those countries which he determines to be friendly to the United States: *Provided,* That the President shall periodically review the status of those countries which are eligible under this subsection and report the results of such review to the Congress. As used in this Act, "friendly country" shall not include any country or area dominated or controlled by a foreign government or organization controlling a world Communist movement. Notwithstanding any other Act, the President may enter into agreements for the sale of agricutural commodities [for dollars on credit terms] under title I of this Act with countries which fall within the definition of "friendly country" for the purpose of such sales and no sales under the Act shall be made with any country if the President finds such country is (a) an aggressor, in a military sense, against any country having diplomatic relations with the United States, or (b) using funds, of any sort, from the United States for purposes inimical to the foreign policies of the United States;

* * * * * * *

(m) *except as provided in section 108,* require foreign currencies to be convertible to dollars to the extent consistent with the effectuation of the purposes of this Act, but in any event to the extent necessary to (1) permit that portion of such currencies made available for payment of United States obligations to be used to meet obligations or charges payable by the United States or any of its agencies to the government of the importing country or any of its agencies, and (2) in the case of excess currency countries, assure convertibility by sale to American tourists, or otherwise, of such additional amount (up to twenty-five per centum of the foreign currencies received pursuant to each agreement entered into after the effective date of the Food for Peace Act of 1966) as may be necessary to cover all normal expenditures of American tourists in the importing country[;]. *In carrying out this subsection, the President shall require that foreign currencies to be used under section 108 that are acquired under an agreement for the sale of commodities be convertible to dollars during the period beginning 10 years after the date of the last delivery of such commodities and ending 30 years after the date of such delivery. Such agreement for sale shall establish a schedule for such conversion but need not specify the exchange rate for such conversion;*

(n) take maximum precautions to assure that sales [for dollars on credit terms] under this Act shall not displace any sales of United States agricultural commodities which would otherwise be made [for cash dollars];

(o) [Take] *take* steps to assure that the United States obtains a fair share of any increase in commercial purchases of agricultural commodities by the purchasing country and that commercial supplies are available to meet demands developed through programs carried out under this Act;

(p) [Assure convertibility] *except as provided in section 108, assure convertibility* at such uniformly applied exchange rates as shall be agreed upon of up to 50 per centum of the foreign currencies received pursuant to each agreement by sale to United States or purchasing country contractors for payment of wages earned in the development and consummation of works of public improvement in the purchasing country; and

(q) [Assure convertibility] *except as provided in section 108, assure convertibility* of up to 50 per centum of the foreign currencies received pursuant to each agreement by sale to United States importers for the procurement of materials or commodities in the purchasing country.

* * * * * * *

SEC. 105. Foreign currencies received pursuant to this Act shall be deposited in a special account to the credit of the United States and shall be used only pursuant to [section 104] *section 104 and 108,* and any department or agency of the Government using any of such currencies for a purpose for which funds have been appropriated shall reimburse the Commodity Credit Corporation in an amount equivalent to the dollar value of the currencies used. The President shall utilize foreign currencies received pursuant to this

Act in such manner as will, to the maximum extent possible, reduce any deficit in the balance of payments of the United States.

SEC. 106. (a)(1) Payment by any friendly country for commodities purchased for dollars on credit shall be upon terms as favorable to the United States as the economy of such country will permit. Payment for such commodities shall be in dollars with interest at such rates as the Secretary may determine but not less than the minimum rate required by section 122(b) of the Foreign Assistance Act of 1961 for loans made under that section. Payment may be made in reasonable annual amounts over periods of not to exceed twenty years from the date of the last delivery of commodities in each calendar year under the agreement except that the date for beginning such annual payment may be deferred for a period not later than two years after such date of last delivery, and interest shall be computed from the date of such last delivery. Delivery of such commodities shall be made in annual installments for not more than ten years following the date of the sales agreement and subject to the availability of the commodities at the time delivery is to be made.

* * * * * * *

(3) Payment for sales made for foreign currencies that are to be used under section 108 under an agreement entered into under this title shall be made on such terms as are specified in such agreement.

SEC. 107. (a) * * *

SEC. 108. Notwithstanding any other provision of law:

(a) As used in this section:

(1) The term "developing country" means a country that is eligible to participate in a sales agreement entered into under this title.

(2) The term "financial intermediary" means a bank, financial institution, cooperative, nonprofit voluntary agency, or other organization or entity, as determined by the Secretary, that has the capability of making and servicing a loan in accordance with this section.

(3) The term "Secretary" means the Secretary of Agriculture.

(b) In order to foster and encourage the development of private enterprise institutions and infrastructure as the base for the expansion, promotion, and improvement of the production of food and other related goods and services within a developing country and pursuant to an agreement for the sale of agricultural commodities entered into under this title, the Secretary may enter into an agreement with a financial intermediary located or operating in such country under which the Secretary shall lend to such financial intermediary foreign currency that accrues as a result of commodity sales to such country under a sales agreement entered into under this title after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

(c) To be eligible to obtain foreign currency under this section, a financial intermediary must enter into an agreement with the Secretary under which the intermediary agrees to use such currency to make loans to private individuals, cooperatives, corporations, or

other entities within a development country, at reasonable rates of interest, for the purpose of financing—

(1) productive, private enterprise investment within such country, including such investment in projects carried out by cooperatives, nonprofit voluntary organizations, and other entities found to be qualified by the Secretary;

(2) private enterprise facilities for aiding the utilization and distribution, and increasing the consumption of and markets for, United States agricultural commodities and the products thereof; or

(3) private enterprise support of self-help measures and projects.

(d) An agreement entered into under this section shall specify the terms and conditions under which the foreign currency shall be used and subsequently repaid to the Secretary, including the following terms and conditions:

(1) A financial intermediary shall, to the maximum extent feasible, give preference to the financing of agricultural related private enterprise with the funds provided under this section.

(2)(A) A financial intermediary shall repay a loan made by the Secretary under this section, plus accrued interest, at such times and in such manner as will permit the Secretary to convert such foreign currency to dollars in accordance with the schedule for such conversion.

(B) A financial intermediary may repay a loan made under this section prior to the repayment date specified in such agreement.

(3) To be eligible to receive financing from a financial intermediary under this section, an entity or venture must—

(A) be owned, directly or indirectly, by citizens of the developing country, except that up to 25 percent of such ownership interest may be held by citizens of the United States; and

(B) not be owned or controlled, in whole or in part, by the government or any governmental subdivision of the developing country.

(4)(A) The rate of interest charged on funds loaned by the Secretary to a financial intermediary under this section shall be such rate as is determined by the Secretary and the intermediary.

(B) In the case of a cooperative or nonprofit voluntary agency that is acting as a financial intermediary, the Secretary may charge a lower rate of interest on funds loaned to such intermediary under this section than is charged to other types of intermediaries to defray the startup costs of becoming a financial intermediary.

(5) No currency made available under this section may be used to promote the production of agricultural commodities or the products thereof that will compete, as determined by the Secretary, in world markets with similar agricultural commodities or the products thereof produced in the United States.

(6) The Secretary may not require a developing country to guarantee the repayment of a loan made to a financial intermediary under this section as a condition of receipt of such loan.

(e)(1) All currencies repaid by financial intermediaries under agreements entered into under this section shall be deposited and accounted for in accordance with section 105.

(2) Currencies repaid by financial intermediaries shall, as determined by the Secretary—

(A) be used to finance additional productive, private enterprise investment under agreements with financial intermediaries entered into under this section;

(B) be used for the development of new markets for United States agricultural commodities;

(C) be used for the payment of United States obligations (including obligations entered into pursuant to other laws of the United States); or

(D) be converted to dollars.

(3) Section 1306 of title 31, United States Code, shall apply to currencies used for the purpose specified in paragraph (2)(C).

(f)(1) Any agreement entered into under this section shall be subject to periodic audit by the Secretary to determine whether the terms and conditions of the agreement are being fulfilled.

(2) Not later than 180 days after the close of each fiscal year, the Secretary shall report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the activities carried out under this section during the preceding fiscal year, including an evaluation of the impact of investment under this section on the development of agricultural related private enterprise in each participating country.

(g) The Secretary may provide agricultural technical assistance to further the purposes of this section, including the funding of market development activities. To the maximum extent practicable, the Secretary shall use at least 5 percent of the foreign currencies obtained for use under this section from sales of agricultural commodities made under agreements entered into under this title after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985 to carry out such assistance.

TITLE II

SEC. 201. (a) The President is authorized to determine requirements and furnish agricultural commodities, on behalf of the people of the United States of America, to meet famine or other urgent or extraordinary relief requirements; to combat malnutrition, especially in children; to promote economic and community development in friendly developing areas; and for needy persons and nonprofit school lunch and preschool feeding programs outside the United States. The Commodity Credit Corporation shall make available to the President such agricultural commodities determined to be available under section 401 as he may request.

(b) The minimum quantity of agricultural commodities distributed under this title—

[(1) for fiscal years 1978 through 1980 shall be 1,600,000 metric tons, of which not less than 1,300,000 metric tons shall be distributed through nonprofit voluntary agencies and the World Food Program;

[(2) for fiscal year 1981 shall be 1,650,000 metric tons, of which not less than 1,350,000 metric tons shall be distributed through nonprofit voluntary agencies and the World Food Program; and

[(3) for fiscal year 1982 and each fiscal year thereafter shall be 1,700,000 metric tons, of which not less than 1,200,000 metric tons for nonemergency programs shall be distributed through nonprofit voluntary agencies and the World Food Program;]

(1) for each of the fiscal years ending September 30, 1986, and September 30, 1987, shall be 1,900,000 metric tons, of which not less than 1,425,000 metric tons for nonemergency programs shall be distributed through nonprofit voluntary agencies, cooperatives, and the World Food Program; and

(2) for the fiscal year ending September 30, 1988, and each fiscal year thereafter, shall be 1,700,000 metric tons, of which not less than 1,275,000 metric tons for nonemergency programs shall be distributed through nonprofit voluntary agencies, cooperatives, and the World Food Program;

unless the President determines and reports to the Congress, together with his reasons, that such quantity cannot be used effectively to carry out the purposes of this title: *Provided*, That such minimum quantity shall not exceed the total quantity of commodities determined to be available for disposition under this Act pursuant to section 401, less the quantity of commodities required to meet famine or other urgent or extraordinary relief requirements.

(c) In distributing agricultural commodities under this title, the President shall—

(1) consider—

(A) the nutritional assistance to recipients and benefits to the United States that would result from distributing such commodities in the form of processed and protein-fortified products, including processed milk, plant protein products, and fruit, nut, and vegetable products;

(B) the nutritional needs of the proposed recipients of the commodities;

(C) the cost effectiveness of providing such commodities, for purposes of selecting commodities for distribution under nonemergency programs; and

(D) the purposes of this title; and

(2) ensure that at least 75 percent of the quantity of agricultural commodities required to be distributed each fiscal year under subsection (b) for nonemergency programs be in the form of processed or fortified products or bagged commodities.

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**SEC. 207. (a)(1) If requested by a nonprofit voluntary agency or cooperative, an agreement with the agency or cooperative for nonemergency assistance under this title may provide for the use by the agency or cooperative of foreign currency proceeds, generated from*

** Applies to agreements entered into after September 30, 1985.*

the sale of commodities made available under the agreement, for purposes specified in subsection (b).

(2) Such agreements shall provide, in the aggregate for each fiscal year, for the use of foreign currency proceeds under this subsection in an amount that is not less than 5 percent of the aggregate value of the commodities distributed under nonemergency programs under this title for such fiscal year.

(3) Section 103(c) shall apply to sales of agricultural commodities to generate foreign currencies under this subsection, unless the Secretary of Agriculture, in consultation with the Administrator of the Agency for International Development, waives the application of this paragraph.

(b)(1)(A) Foreign currency proceeds generated under subsection (a) shall be used by a nonprofit voluntary agency or cooperative for activities carried out by the agency or cooperative that will enhance the effectiveness of the food assistance program carried out pursuant to the agreement.

(B) Such activities may include food for work programs, local program management, local agricultural and cooperative development projects, and outreach projects to provide food to people with the greatest nutritional need, if such activities are directly related to the food assistance program of the agency or cooperative.

(2) Foreign currency proceeds under subsection (a) may not be used—

(A) to defray personnel or administrative costs incurred by a United States cooperating sponsor, distributing agency, or recipient agency, other than a local cooperative;

(B) to defray the costs of construction or maintenance of an edifice owned or operated by a church or any other edifice used for sectarian purposes; or

(C) to replace resources otherwise available to a nonprofit voluntary agency or cooperative, as determined by the President.

** Sec. 208. (a) In the case of an agreement with a nonprofit voluntary agency for nonemergency assistance under this title, subject to subsection (b), the President is encouraged to approve multiyear agreements to make agricultural commodities available for distribution by the agency, if the agency requests a multiyear agreement.*

(b)(1) Such agreements shall not be subject to the availability each fiscal year of the necessary appropriations and agricultural commodities.

(2) Subsection (a) does not apply to an agreement that the President determines should be limited to a single year because of the past performance of the nonprofit voluntary agency or because the agreement involves a new program of assistance.

(c) In carrying out a multiyear agreement pursuant to this section, a nonprofit voluntary agency may not be required to obtain annual approval from the United States Government in order to continue its assistance program pursuant to this agreement, unless the President determines that exceptional and unforeseen circumstances have occurred that require such approval.

** Applies to agreements entered into after September 30, 1985.*

*Sec. 209. (a) Agreements with nonprofit voluntary agencies under this title may authorize such agencies to establish local food reserves.

(b) If authorized to establish a local food reserve pursuant to subsection (a), a nonprofit voluntary agency may deposit in such reserve agricultural commodities made available under this title—

(1) for later use in providing immediate food assistance in case of a famine or other food shortage emergency; or

(2) if the nonprofit voluntary agency determines that the immediate use of the agricultural commodities for food assistance purposes would be a disincentive to local agricultural production and that the commodities should be held for use at a later time.

*Sec. 210. (a) A nonprofit voluntary agency requesting a nonemergency food assistance agreement under this title shall include in such request a description of the intended uses of any foreign currency proceeds that would be generated with the commodities provided under the agreement.

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TITLE III

Sec. 301. (a) * * *

Sec. 302. (a) Whenever the President, in consultation with the government of a developing country, determines that such developing country meets the criteria specified in subsection (b) of this section and could benefit from the sale of United States agricultural commodities (including processed and blended foods) for the purposes of generating funds or distributing such commodities for agricultural and rural development, and improving food distribution and use within such country, the President may designate such country as eligible for a Food for Development Program.

(b) In order to be eligible for a Food for Development Program under this section, a country must (1) have a need for external resources to improve its food production, marketing, distribution, and storage systems; (2) meet the criterion used to determine basic eligibility for development loans of the International Development Association of the International Bank for Reconstruction and Development; (3) have the ability to utilize effectively the resources made available by the sale of food commodities under this section for the purposes specified in clause (1) of this subsection; and (4) indicate the willingness to take steps to improve its food production, marketing, distribution, and storage systems.

(c)(1) Except as provided in paragrah (2) of this subsection, the aggregate value of all agreements entered into under this title—

(A) for fiscal year 1978, shall not be not less than 5 percent,

(B) for fiscal year 1979, shall not be not less than 10 percent, and

(C) for fiscal year 1980 and each fiscal year thereafter, shall not be not less than **[**_15_**]** _10 percent, of the aggregate value of_

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*Applies to agreements entered into after September 30, 1985.

*Applies to agreements entered into after December 31, 1985.

all agreements entered into under title 1 of this Act for such fiscal year.

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SEC. 310. The Secretary shall, whenever he determines that such action is in the best interest of the United States, and to the maximum extent practicable, barter or exchange agricultural commodities owned by the Commodity Credit Corporation for (a) such strategic or other materials of which the United States does not domestically produce its requirements and which entail less risk of loss through deterioration or substantialy less storage charges as the President may designate, or (b) materials, goods, or equipment required in connection with foreign economic and military aid and assistance programs, or (c) materials or equipment required in substantial quantities for offshore construction programs. He is hereby directed to use every practicable means, in cooperation with other Government agencies, to arrange to make, through private channels, such barters or exchanges or to utilize the authority conferred on him by section 4(h) of the Commodity Credit Corporation Charter Act, as amended, to make such barters or exchanges. *To the maximum extent practicable, the Secretary shall solicit bids from, and utilize, private trading firms to arrange or make barters or exchanges for strategic or other materials under clause (a).* In carrying out barters or exchanges authorized by this section, no restrictions shall be placed on the countries of the free world into which surplus agricultural commodities may be sold, except to the extent that the Secretary shall find necessary in order to take reasonable precautions to safeguard usual marketings of the United States and to assure that barters or exchanges under this Act will not unduly disrupt world prices of agricultural commodities or replace cash sales for dollars. The Secretary may permit the domestic processing of raw materials of foreign origin. The Secretary shall endeavor to cooperate with other exporting countries in preserving normal patterns of commercial trade with respect to commodities covered by formal multilateral international marketing agreements to which the United States is a party. Agencies of the United States Government procuring such materials, goods, or equipment are hereby directed to cooperate with the Secretary in the disposal of surplus agricultural commodities by means of barter or exchange. The Secretary is also directed to assist, through such means as are available to him, farmers' cooperatives in effecting exchange of agricultural commodities in their possession for strategic materials. Barter or exchange of agricultural commodities under clause (a) of this section shall be limited to exchange for materials which originate in the country to which the surplus agricultural commodities are exported and to arrangements which will prevent resale or transshipment of the agricultural commodities to other countries.

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TITLE IV

SEC. 401. (a) * * *

Sec. 409. No arrangements to finance sales under title I and no programs of assistance under title II shall be entered into after December 31, [1985] *1989.* New spending authority provided for title I of this Act by the amendment to this section made by the [Agriculture and Food Act of 1981] *Agriculture, Food, Trade, and Conservation Act of 1985* shall be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Act.

* * * * * * *

AGRICULTURAL ACT OF 1949

AN ACT To stabilize prices of agricultural commodities.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1949."

* * * * * * *

DISPOSITION OF COMMODITIES TO PREVENT WASTE

Sec. 416. (a) * * *

[(b) Dairy products and wheat acquired by the Commodity Credit Corporation through price support operations, which the Secretary determines meet the criteria specified in subsection (a), may be furnished by the Secretary for carrying out title II of the Agricultural Trade Development and Assistance Act of 1954, as approved by the Secretary, and for such purposes as approved by the Secretary. The provisions of section 203 of that Act shall apply to commodities furnished under this subsection. Agreements may be entered into under this subsection to provide dairy products and wheat in installments over an extended period of time. To the maximum extent practicable, expedited procedures shall be used in implementing the provisions of this subsection. Commodities and products furnished under this subsection may be sold or bartered, as approved by the Secretary, solely as follows: (1) sales and barter which are incidental to the donation of the commodities or products, (2) sales and barter, the proceeds of which are used to finance the distribution, handling, and processing costs of the donated commodities in the importing country or other activities in the importing country that are consistent with providing food assistance to needy people, and (3) sales and barter of commodities and products donated to intergovernmental organizations, insofar as they are consistent with normal programming procedures in the distribution of commodities by those organizations. Except as provided in the foregoing sentence, no portion of the proceeds or services realized from such sales or barter may be used to meet operating and overhead expenses. The cost of commodities furnished under this subsection and expenses incurred under section 203 of that Act in connection therewith shall be in addition to the level of assistance programmed under that Act and shall not be considered expenditures for international affairs and finance. Notwithstanding the foregoing provisions of this subsection, dairy products and wheat may not be made available for disposition under this subsection in amounts that will, in any way, reduce the amounts of commodities that traditionally are made available through donations to domestic feeding programs or agencies.]

(b)(1) As used in this subsection, the term "eligible commodities" means agricultural commodities and the products thereof acquired by the Commodity Credit Corporation through price support operations, that the Secretary determines meet the criteria specified in subsection (a).

(2) The Secretary may furnish eligible commodities for carrying out title II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.), as approved by the Secretary and for such purposes as are approved by the Secretary.

(3)(A) Commodities may not be made available for disposition under this subsection in quantities that will reduce the quantities of commodities that traditionally are made available through donations to domestic feeding programs and agencies.

(B) Sections 103(C) and 401(b) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1703(c) and 1731(b)) shall apply with respect to commodities furnished under this subsection.

(C) The requirement for safeguarding usual marketings of the United States shall not be used to prevent the furnishing under this subsection of any eligible commodity for use in countries that—

(i) have not traditionally purchased the commodity from the United States; or

(ii) do not have adequate financial resources to acquire the commodity from the United States through commercial sources or through concessional sales arrangements.

(4) Section 203 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1623) shall apply to commodities furnished under this section.

(5) Agreements may be entered into under this subsection to provide eligible commodities in installments over an extended period of time.

(6) As soon as possible after the beginning of each fiscal year, the Secretary shall estimate and announce the types of eligible commodities, and the amounts thereof, that the Secretary anticipates will become available for distribution under this subsection during such fiscal year.

(7) To the maximum extent practicable, expedited procedures shall be used in implementing this subsection.

(8) The cost of commodities furnished under this subsection, and expenses incurred under section 203 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1723) in connection with such commodities, shall be in addition to the level of assistance programmed under such Act and may not be considered expenditures for international affairs and finance.

(9)(A) Eligible commodities furnished under this subsection may be sold or bartered with the approval of the Secretary solely as follows:

(1) Sales and barter that are incidental to the donation of the commodities.

(ii) Sales and barter, the proceeds of which are used to finance the distribution, handling, and processing costs of the donated commodities in the importing country or other activities

in the importing country that are consistent with providing food assistance to needy people.

(iii) Sales and barter of commodities donated to intergovernmental organizations, insofar as they are consistent with normal programming procedures in the distribution of commodities by such organizations.

(iv) Sales and barter of commodities used for payments pursuant to paragraph (4).

(B)(1) If requested by a nonprofit voluntary agency or cooperative, an agreement with the agency or cooperative for commodities made available under this subsection may provide for the use by the agency or cooperative of foreign currency proceeds, generated from the sale of commodities made available under the agreement, for the purposes specified in clause (iii).

(ii) The Secretary shall ensure, to the extent practicable, that such agreements provide, in the aggregate for each fiscal year, for the use of foreign currency proceeds under this subsection in an amount that is not less than 5 percent of the aggregate value of the eligible commodities furnished to such agencies and cooperatives under this subsection for such fiscal year.

(iii)(I) Foreign currency generated under this subparagraph shall be used by a nonprofit voluntary agency or cooperative for activities carried out by the agency or cooperative that will enhance the effectiveness of the food assistance program being carried out pursuant to the agreement.

(II) Such activities may include food for work programs, local program management, local agricultural and cooperative development projects, and outreach projects designed to provide food to people with the greatest nutritional need, if such activities are directly related to the food assistance program of the nonprofit voluntary agency or cooperative.

(iv) All foreign currency proceeds generated pursuant to an agreement under this subparagraph shall be expended within 1 year after the end of the period of the agreement.

(v) Section 103(c) shall apply to sales of agricultural commodities made to generate foreign currencies under this subparagraph, unless the Secretary of Agriculture, in consultation with the Administrator of the Agency for International Development, waives the application of this subparagraph.

(vi) Foreign currency proceeds generated under this subsection may not be used—

(I) to defray personnel or administrative costs incurred by a United States cooperating sponsor, distributing agency, or recipient agency, other than a local cooperative;

(II) to defray the costs of construction or maintenance of an edifice owned or operated by a church or any other edifice used for sectarian purposes; or

(III) to replace resources otherwise available to a nonprofit voluntary agency or cooperative, as determined by the President.

(10)(A) In carrying out this subsection, during each fiscal year, the Secretary shall furnish to nonprofit voluntary agencies, cooperatives, and the World Food Program for distribution in developing countries not less than 400,000 metric tons of eligible commodities that are available for distribution under this subsection.

(B) Subparagraph (A) shall not apply in any fiscal year to the extent that the Secretary determines and reports to Congress (together with the reasons therefor) that—

(i) there have not been sufficient requests made by nonprofit voluntary agencies, cooperatives, and the World Food Program for commodities under this subsection for uses that would effectively carry out the purposes of title II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.); or

(ii) a limitation in paragraph (3) prevents the use of commodities pursuant to this paragraph.

(C) If the quantity of eligible commodities available for distribution under subparagraph (A) for a fiscal year is less than 400,000 metric tons, such subparagraph shall not require the Secretary to purchase additional commodities to satisfy such subparagraph.

* * * * * * *

(d) Notwithstanding any other provision of law:

(1)(A) In order to use the food resources of the United States more effectively in support of countries that have made commitments to introduce or expand free enterprise elements in their agricultural economies through changes in commodity pricing, marketing, input availability, distribution, and private sector involvement, commodities and the products thereof acquired by the Commodity Credit Corporation that the Secretary determines meet the criteria specified in subsection (a), may be furnished by the Secretary to carry out agreements entered into by the President under paragraph (2).

(B) Not more than 500,000 metric tons of commodities may be furnished under this subsection in each of the fiscal years ending September 30, 1986, September 30, 1987, September 30, 1988, and September 30, 1989.

(C) The Commodity Credit Corporation may purchase agricultural commodities and the products thereof for use under this subsection if—

(i) the Commodity Credit Corporation does not hold stocks of such commodities and the products thereof; or

(ii) Commodity Credit Corporation stocks are insufficient to satisfy commitments made in agreements entered into under this subsection and such commodities and the products thereof are needed to fulfill such commitments.

(D) No funds of the Commodity Credit Corporation in excess of $30,000,000 (exclusive of the cost of commodities) may be used to carry out this subsection unless authorized in advance in appropriation Acts.

(2)(A)(i) The President may enter into agreements with developing countries to furnish commodities and the products thereof made available under paragraph (1) to such countries to promote the implementation of private, free enterprise agricultural policies for long-term agricultural development.

(ii)(I) Such commodities shall be furnished under this subsection on such terms and conditions as the President considers are in the public interest and will promote the objectives of this subsection.

(II) Agreements may provide for commodities to be furnished on a multiyear basis.

(B) In determining whether to enter into agreements with countries for the furnishing of commodities under this subsection, the President shall consider whether a potential recipient country—

(i) is carrying out, or is committed to carry out, policies that promote economic freedom, private, domestic production of food commodities for domestic consumption, and the creation and expansion of efficient domestic markets for the purchase and sale of such commodities, including policies that may provide for—

(I) access, on the part of farmers in such country, to private, competitive markets for their products;

(II) market pricing of commodities to foster adequate private sector incentives to individual farmers to produce food on a regular basis for the domestic needs of the country;

(III) establishment of market-determined foreign exchange rates;

(IV) timely availability of production inputs, such as seed, fertilizer, or pesticides, to farmers;

(V) access to technologies appropriate to the level of agricultural development in the country; and

(VI) construction of facilities and distribution systems necessary to handle perishable products; and

(ii) is able to use the quantity of commodities being considered for donation without disruption of the internal market of the country for domestically produced agricultural commodities and the products thereof.

(3) An agreement entered into under this subsection shall prohibit the resale or transshipment of the donated agricultural commodities to other countries.

(4) In entering into agreements with countries for the donation of agricultural commodities and the products thereof under this subsection, the President shall take reasonable precautions to avoid displacement of any sales of United States agricultural commodities and the products thereof that would otherwise be made to such countries.

(5)(A) Section 203 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1723) shall apply to agricultural commodities furnished under this subsection.

(B) The cost of the commodities furnished under this subsection, and the expenses incurred in connection with furnishing such commodities, shall be in addition to the level of assistance programmed under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.) and may not be considered expenditures for international affairs and finance.

(6)(A) The President shall carry out the duties imposed on the President under this subsection through the National Security Advisor in the Executive Office of the President.

(B) The National Security Advisor, with the approval of the Secretary, may use personnel of the Department of Agriculture in carrying out this subsection.

(7) Section 901 of the Merchant Marine Act, 1936 (46 U.S.C. 1241) and the Joint Resolution of March 26, 1934 (48 Stat. 500, 46 U.S.C. 1241-1) (commonly referred to as the "cargo preference laws") shall not apply to any export activity authorized under this subsection.

(8) Within 120 days after the close of each fiscal year in which an agreement entered into with a country under this subsection is in effect, the President shall report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the status of such agreement and the progress being made to implement private, free enterprise agricultural policies for long-term agricultural development in such country.

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TITLE 5, UNITED STATES CODE

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EMPLOYEES

Sec. 5312. Positions at level I

Level I of the Executive Schedule applies to the following positions for which the annual rate of basic pay shall be the rate determined with respect to such level under chapter 11 of title 2, as adjusted by section 5318 of this title:

Secretary of the State.
Secretary of the Treasury.
Secretary of Defense.
Attorney General.
Secretary of the Interior.
Secretary of Agriculture.
Secretary of Commerce.
Secretary of Labor.
Secretary of Health and Human Services.
Secretary of Housing and Urban Development.
Secretary of Transportation.
Special Representative for Trade Negotiations.
Secretary of Energy.
Secretary of Education.
Special Assistant for Agricultural Trade and Food.

* * * * * * *

TITLE II—DAIRY

AGRICULTURE AND FOOD ACT OF 1981

SEC. 101. (a) * * *

(b) The provisions of subsection (a) shall become effective January 1, 1982, and shall terminate December 31, [1985] *1989.*

* * * * * * *

Agricultural Act of 1949

AN ACT To stabilize prices of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1949."

* * * * * * *

Sec. 201. * * *

[(d) Notwithstanding any other provision of law—

[(1)(A) Effective for the period beginning with the date of enactment of the Dairy Production Stabilization Act of 1983 and ending on the last day of the month of enactment of such Act, the price of milk shall be supported at a rate equivalent to $13.10 per hundredweight for milk containing 3.67 per centum milkfat.

[(B) Effective for the period beginning on the first day of the first calendar month following the date of enactment of the Dairy Production Stabilization Act of 1983 and ending on September 30, 1985, the price of milk shall be supported at a rate equivalent to $12.60 per hundredweight for milk containing 3.67 per centum milkfat, except that—

[(i) on April 1, 1985, if the Secretary estimates that for the twelve-month period beginning on such date net price support purchases of milk or the products of milk would be in excess of six billion pounds milk equivalent, the Secretary may reduce the price support rate in effect on such date in the amount of 50 cents per hundredweight; and

[(ii) on July 1, 1985—

[(I) if the Secretary estimates that for the twelve-month period beginning on such date net price support purchases of milk or the products of milk would be in excess of five billion pounds milk equivalent, the Secretary may reduce the price support rate in effect on such date in the amount of 50 cents per hundredweight; or

[(II) if the Secretary estimates that for the twelve-month period beginning on such date net price support purchases of milk or the products of milk would be five billion pounds milk equivalent or less and if the Secretary determines it necessary in order to assure an adequate supply of pure and wholesome milk to meet current needs, the Secretary may increase the price support rate in effect on such date in an amount not less than 50 cents per hundredweight.

[(C) The price of milk shall be supported through the purchase of milk and the products of milk.

[(2)(A)(i) Effective for the period beginning with the first day of the first calendar month following the date of enactment of the Dairy Production Stabilization Act of 1983 and ending on March 31, 1985, to encourage the adjustment of milk production to level consistent with the national demand for milk and the products of milk, the Secretary shall provide for a reduction of 50 cents per hundredweight to be made in the price received on all milk produced in the United States and marketed by producers for commercial use.

[(ii) Effective for the period beginning with the date of enactment of the Dairy Production Stabilization Act of 1983 and ending on the last day of the month of enactment of such Act, the provisions of paragraphs (2) through (7) of subsection (d) of this section, as in effect on the day immediately prior to the date of enactment of the Dairy Production Stabilization Act of 1983, shall be applicable to all milk produced in the United States and marketed by producers for commercial use. Enactment of the Dairy Production Stabilization Act of 1983 shall not affect in any manner the collection or enforcement of any deduction from the price of milk previously implemented by the Secretary under this subsection as in effect for any milk marketed for commercial use prior to the effective date of the reduction provided for in this paragraph, as added by section 102(a) of the Dairy Production Stabilization Act of 1983.

[(B) The funds represented by the reduction in the price required to be applied to the marketings of milk by a producer under subparagraph (A) shall be collected and remitted to the Commodity Credit Corporation, at such time and in such manner as prescribed by the Secretary, by each person making payment to a producer for milk purchased from the producer, except that in the case of a producer who markets milk of the producer's own production directly to consumers, such funds shall be remitted directly to the Corporation by the producer.

[(C) To the extent that funds collected under this paragraph are inadequate to make the payments to producers who reduce marketings under paragraph (3), such payments shall be made using funds otherwise available to the Corporation. The funds remitted to the Corporation under this paragraph shall be considered as included in the payments to a producer of milk for purposes of the minimum price provisions of the Agricultural Adjustment Act of 1933, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937.

[(3)(A) The Secretary shall, not later than January 1, 1984 provide for a milk diversion program under which the Secretary shall offer to enter into a contract, at any time up to February 1, 1984, with any producer of milk in the United States for the purpose of reducing the quantity of milk marketed by the producer for commercial use during the fifteen-month period beginning on January 1, 1984. Each producer of milk in the United States seeking to enter into a contract for diversion payments under this paragraph shall, prior to entering into such contract, provide the Secretary with a plan that (i) describes the manner in which the producer intends to achieve the reduction in milk marketings that would be required under such contract, and (ii) includes an estimate by the producer of the amount of such reduction which the producer intends to achieve through increased slaughter of dairy cattle (including the approximate number of dairy cattle that will be sold for slaughter during each month of the contract). In setting the terms and conditions of such contracts, the Secretary shall take into account any adverse impact of the reductions in milk production on beef, pork, and poultry producers in the United States and shall take all feasible steps to minimize such impact.

[(B) Each such contract shall require that—

(i) the producer shall reduce the quantity of milk marketed for commercial use in an amount equal to a percentage specified by the producer, but not less than 5 percentum nor more than 30 per centum, of the quantity of milk marketed by such producer for commercial use during the marketing history period described in subparagraph (F);

[(ii) any production capacity of a facility that becomes available for use because a producer reduces milk production in order to comply with the contract shall not be used by the producer, or made available by the producer for use by any other person, for the production of milk;

[(iii) any dairy cattle that would or could have been used by the producer for the production of milk if the producer had not entered into and complied with such contract shall not have been sold, leased, or otherwise transferred to another person after November 8, 1983, except as permitted by the Secretary up to the date of anactment of the Dairy Production Stablization Act of 1983 in order to further the purposes of this Act, or unless such cattle are sold for slaughter or sold or transferred to another producer with respect to whom there is in effect a contract entered into under this subsection, except that the Secretary may, to the extent practicable and to the extent deemed consistent with the goals of the diversion program, permit the sale of registered, purebred cattle for breeding purposes subject to such terms and conditions as the Secretary may prescribe based on a history of such sales by the producer or the sale or transfer of any dairy cattle if the Secretary determines that such sale or transfer does not result in adversely affecting the purposes of the program; and

[(iv) the producer shall repay to the Secretary the entire payment received under this paragraph, including simple interest payable at a rate prescribed by the Secretary which shall, to the extent practicable, reflect the cost to the Corporation of its borrowings from the United States Treasury, commencing on the date payemnt is first received under this paragraph, if the producer fails to comply with such contract.

[(C) Except as provided in subparagraph (D), the Secretary shall pay to a producer who complies with a contract, entered into under the paragraph, an amount equal to the product of $10 per hundredweight and the amount, measured in hundredweights, by which the quantity of milk marketed by such producer for commercial use during the period specified in such contract is less than the quantity of milk marketed by such producer for commercial use during the marketing history period.

[(D) No payment may be made under subparagraph (C) to a producer with respect to—

[(i) any reduction in the quantity of milk marketed by the producer for commercial use that exceeds the lesser of 30 per centum of the aggregate quantity of milk marketed by the producer for commercial use during the producer's marketing history period, or the sum of—

[(I) the reduction in the quantity of milk marketed for commercial use required under the provisions of the contract the producer has entered into under this paragraph, after any adjustment by the Secretary under subparagraph (E); and

(II) 3 per centum of the quantity of milk marketed by the producer for commercial use during such producer's marketing history period;

(ii) any reduction in the quantity of milk marketing by the producer for commercial use if such reduction is less than the larger of 5 per centum of the aggregate quantity of milk marketed by the Producer for comercial use during the producer's marketing history period or the difference between—

[(I) the reduction in the quantity of milk marketed for commercial use required under the provisions of the contract that producer has entered into under this paragraph, after any adjustment by the Secretary under subparagraph (E); and

[(II) 3 per centum of the quantity of milk marketed by the producer for commercial use during such producer's marketing history period;

[(iii) except as provided in subparagraph (H), any reduction in the quantity of milk marketed for commercial use by a producer who, as determined by the Secretary, was not actively engaged in the production of milk for commercial use as of the date of enactment of the Dairy Production Stabilization Act of 1983; and

[(iv) any reduction in the quantity of milk marketed for commercial use by a producer who violates any requirement specified in this paragraph.

[(E) The Secretary may, in accordance with such rules or procedures as prescribed by the Secretary, modify contracts entered into under this paragraph if the Secretary determines that, as a result of contracts entered into under this paragraph, (i) there would be an excessive reduction in the level of milk production in the United States, or (ii) there has been a substantial hardship to producers of beef cattle, diary cattle, hogs, or poultry sold for slaughter. If, under the provisions of clause (ii), the Secretary should specify a reduction in marketing in any quarter that is less than the percentage specified in the contract, such modification shall not be so great as to require the producer to make a reduction in excess of 150 per centum of the reduction required by the contract in any suceeding quarter: *Provided,* That after making any adjustments in milk marketed for commercial use in any period of the contract, except to the extent required by the foregoing provisions of this sentence, the aggregate reduction in milk marketed for commercial use for the entire diversion period must continue to be at least equal to the total reduction required by the contract. In the event of a modification, under clause (i) of this subparagraph, the Secretary may reduce the required reduction among all contracts on such basis as the Secretary determines will serve to reduce future dairy surpluses. In no event shall any reduction under this paragraph be apportioned on the basis of geographic region or area.

[(F) Any producer of milk in the United States seeking to enter into a contract for diversion payments under this paragraph shall provide the Secretary with evidence of such producer's marketing history. The marketing history shall be the marketings of milk by such producer for commercial use during calendar year 1982 (with production during the January through March quarter to be counted by the Secretary as corresponding to both the first and the last quarters of the fifteen-month diversion contract) or, at the option of the producer the average marketings of milk by the producer during calendar years 1981 and 1982 (with production during the January through March quarter of each such year to counted by the Secretary as corresponding to both the first and last quarters of the fifteen-month diversion contract). The producer's marketing history may be adjusted as the Secretary determines necessary to correct for abnormally low production resulting from a natural disaster or other condition beyond the control of the producer or such other factors as the Secretary determines necessary to provide a fair and equitable marketing history.

[(G) No marketing history shall be assigned to any producer who commenced marketing of milk after December 31, 1982, except as provided in subparagraph (H).

[(H) A producer's marketing history established under this paragraph shall not be transferable to any other person, unless the entire milk production facility used by the producer to produce milk for commercial use during the marketing history period and the producer's entire dairy herd were transferred by reason of the death of the producer, by reason of a gift from the producer, or to a member or members of the family of the producer. The term "member of the family of the producer" means (i) an ancestor of the producer, (ii) the spouse of the producer, (iii) a lineal descendant of the producer, or the producer's spouse, or a parent of the producer, or (iv) the spouse of any such lineal descendant.

[(I) Eligibility for diversion payments shall be determined on the basis of the marketing history provided for in subparagraph (F).

[(J)(i) Producers eligible for diversion payments shall apply for such payments at the end of each quarter. Payment may be made to any producer who can establish that marketings of milk by such producer for commercial use have been reduced from the level of marketings during the corresponding period of the marketing history period in an amount as specified by the Secretary for each quarter in the contract: *Provided,* That the aggregate quantity of such reductions for the entire diversion period must be at least equal to the total reduction required by the contract. Prior to approving such payment, the Secretary shall require evidence that such reduction in marketings has taken place. As part of such evidence, the producer shall certify, in a form specified by the Secretary, that such reduction is a net decrease in marketings of milk for commercial use and has not been offset by expansion of production in other production facilities in which the producer has an interest, or by transfer of partial interest in the production facility, or by employment of such other scheme or device to qualify for payment for which such producer would otherwise not be eligible.

[(ii) Payments made under this paragraph during the contract period shall be considered preliminary settlements for reductions in marketings. A final settlement shall be made following the end of the contract period and shall be based on the volume of marketings for the entire contract period. If, based on total marketings for the contract period, it is determined that preliminary settlements have resulted in overpayments to the producer, the Secretary shall recover such overpayments from such producer.

[(K) Application for payment shall be made by producers through the county committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act.

[(L) A producer may assign a contract entered into under this paragraph only if—

[(i) the producer's interest in the entire milk production facility and the entire dairy herd used by the producer to produce milk for commercial marketings have been transferred as a unit to the person to whom the assignment is to be made;

[(ii) the assignee is a person to whom the producer's marketing history may be transferred under subparagraph (H);

[(iii) the producer and the assignee agree in writing that the assignee shall succeed to all rights and liabilities of the producer under the contract; and

[(iv) a copy of such writing is submitted to the Secretary before the transfer occurs.

[(M) A contract entered into under this paragraph by a producer who by reason of death cannot perform or assign such contract may be performed or assigned, in accordance with subparagraph (L), by the estate of such producer.

[(N) If the provisions for reductions in the price received for milk marketed for commercial use as provided for in paragraph (2) are held to be invalid by any court, or the Secreteary is restrained or enjoined by any court from implementing such provisions, the Secretary shall immediately suspend making any diversion payments under this paragraph for the period beginning with the date of such court action and shall resume making such payments only if such court action is overruled, stayed, or terminated.

[(O) If the Secretary determines that there has been a marked deviation in the composition of milk marketed for commercial use by a producer from that of such producer's marketings during the marketing history period, an adjustment as determined appropriate by the Secretary shall be made in the producer's diversion payments to reflect the composition of milk marketed during the marketing history period.

[(4) Each producer who markets milk and each person required to make payment to the Corporation under this subsection shall keep such records and make such reports, in such manner, as the Secretary determines necessary to carry out this subsection. The Secretary may make such investigations as the Secretary deems necessary for the effective administration of this subsection or to determine whether any person subject to the provisions of this subsection has engaged or is engaged or is about to engage in any act or practice that constitutes or will constitute a violation of any provision of this subsection or regulation issued under this subsection. For the purpose of such investigation, the Secretary may administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any records that are relevant to the inquiry. Such attendance of witnesses and the production of any such records may be required from any place in the United States. In case of contumacy by, or refusal to obey a subpoena to, any person, the Secretary may invoke the aid of any court of the United States within the jurisdiction of which such investigation or proceeding is carried on, or where such person resides or carries on business, in requiring the attendance and testimony of witnesses and the production of records. Such court may issue an order requiring such person to appear before the Secretary to produce records or to give testimony on the matter under investigation. Any failure to obey such order of the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district of which such person is an inhabitant or wherever such person may be found.

[(5)(A) The district courts of the United States are vested with jurisdiction specifically to enforce, and to prevent and restrain any person from violating, any provision of this subsection or any regulation issued under this subsection. Any such civil action authorized to be brought under this subsection shall be referred to the Attorney General for appropriate action. The Secretary is not required, however, to refer to the Attorney General minor violations of this subsection whenever the Secretary believes that the administration and enforcement of this subsection would be adequately served by suitable written notice or warning to any person committing such violation.

[(B) Each person (i) as to whom there is a failure to make a reduction in the price of milk received by such person as required by paragraph (2), (ii) who fails to remit to the Corporation the funds required to be collected and remitted by paragraph (2)(B), or (iii) who fails to make the reduction in marketings required by a contract under paragraph (3) shall be liable, in addition to any amount due, to a marketing penalty at a rate equal to the support price for milk in effect at the time the failure occurs on the quantity of milk as to which the failure applies. The Secretary may reduce any such marketing penalty in such amount as the Secretary determines equitable in any case in which the Secretary determines that the failure was unintentional or without knowledge on the part of the person concerned. Each person who knowingly violates any other provision of this subsection, or any regulation issued under this subsection, shall be liable for a civil penalty of not more than $1,000 for each such violation. Any penalty provided for under this subparagraph shall be assessed by the Secretary after notice and opportunity for a hearing.

[(C) Any person against whom a penalty is assessed under subparagraph (B) may obtain review of such penalty in an appropriate district court of the United States by filing a civil action in such court not later than thirty days after such penalty is imposed. The Secretary shall promptly file in such court a certified copy of the record upon which the penalty is based. The findings of the Secretary may be set aside only if found to be unsupported by substantial evidence.

[(D) The district courts of the United States shall have jurisdiction to review and enforce any penalty imposed under subparagraph (B).

[(E) The remedies provided in this paragraph shall be in addition to, and not exclusive of, other remedies that may be available.

[(F) In carrying out this subsection, the Secretary may, as the Secretary deems appropriate—

[(i) use the services of State and county committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act; and

[(ii) enter into agreements to use, on a reimbursable or nonreimbursable basis, the services of administrators of Federal milk marketing orders and State milk marketing programs.

[(6) The term "United States" as used in paragraphs (2) and (3) of this subsection means the forty-eight contiguous States in the continental United States.]

(d) Notwithstanding any other provision of law:

(1) Effective for the period beginning on October 1, 1985, and ending on September 30, 1991, the price of milk shall be supported at a rate equivalent to $11.60 per hundredweight for milk containing 3.67 percent milkfat, except that—

(A) on January 1, 1987, if the Secretary estimates that for the 12-month period beginning on such date net price support purchases of milk or the products of milk would be in excess of 5 billion pounds milk equivalent, the Secretary shall reduce the price support rate in effect on such date by 50 cents per hundredweight; and

(B) on January 1, 1988, January 1, 1989, January 1, 1990, and January 1, 1991, if the Secretary estimates that for the 12-month period beginning on such date net price support purchases of milk or the products of milk would be (in milk equivalent)—

(i) 10 billion pounds or more, the Secretary shall reduce the price support rate in effect on such date by $1.00 per hundredweight, except that the Secretary may

decrease the amount of such adjustment to reflect changes in a cost of production index established by the Secretary;

(ii) 5 billion pounds or more but less than 10 billion pounds, the Secretary shall reduce the price support rate in effect on such date by 50 cents per hundredweight, except that the Secretary may decrease the amount of such adjustment in accordance with such index;

(iii) 2 billion pounds or more but less than 5 billion pounds, the Secretary may not adjust the price support rate in effect on such date; or

(iv) less than 2 billion pounds, the Secretary may increase the price support rate in effect on such date by not less than 50 cents per hundredweight, except that the Secretary may increase the amount of such adjustment in accordance with such index.

(2) The price of milk shall be supported through the purchase of milk and the products of milk.

* * * * * * *

SEC. 202. As a means of increasing the utilization of dairy products (including for purposes of this section, milk) upon the certification by the Administrator of Veterans' Affairs or by the Secretary of the Army, acting for the military departments under the Department of Defense's Service Purchase Assignment for Subsistence, or their duly authorized representatives that the usual quantities of dairy products have been purchased in the normal channels of trade—

(a) The Commodity Credit Corporation until December 31, [1985,] *1989,* shall make available to the Administrator of Veterans' Affairs at warehouses where dairy products are stored, such dairy products acquired under price-support programs as the Administrator certifies that he requires in order to provide butter and cheese and other dairy products as a part of the ration in hospitals under his jurisdiction. The Administrator shall report every six months to the Committees on Agriculture of the Senate and House of Representatives and the Secretary of Agriculture the amount of dairy products used under this subsection.

(b) The Commodity Credit Corporation until December 31, [1985,] *1989,* shall make available to the Secretary of the Army, at warehouses where dairy products are stored, such dairy products acquired under price-support programs as the Secretary of the Army or his duly authorized representatives certifies can be utilized in order to provide additional butter and cheese and other dairy products as a part of the ration (1) of the Army Navy, Air Force, or Coast Guard, (2) in hospitals under the jurisdiction of the Department of Defense, and (3) of cadets and midshipmen at, and other personnel assigned to, the United States Merchant Marine Academy. The Secretary of the Army shall report every six months to the Committees on Agriculture of the Senate and the House of Representatives and the Secretary of Agriculture the amount of dairy products used under this subsection.

(c) Dairy products made available under this section shall be made available without charge except that the Secretary of the Army or the Administrator of Veterans' Affairs shall pay the Commodity Credit Corporation the costs of packaging incurred in making such products so available.

(d) The obligation of the Commodity Credit Corporation to make dairy products available pursuant to the above shall be limited to dairy products acquired by the Corporation through price-support operations and not disposed of under provisions (1) and (2) of section 416 of this Act, as amended.

ACT OF AUGUST 13, 1968

To provide indemnity payments to dairy farmers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That

SEC. 1. The Secretary of Agriculture is authorized to make indemnity payments for milk or cows producing such milk at a fair market value, to diary farmers who have been directed since January 1, 1964 (but only since the date of enactment of the Agriculture and Consumer Protection Act of 1973 in the case of indemnity payments not authorized prior to such date of enactment), to remove their milk, and to make indemnity payments for dairy products at fair market value to manufacturers of dairy products who have been directed since the date of enactment of the Agricultural Act of 1970 to remove their dairy products from commercial markets because of residues of chemicals registered and approved for use by the Federal Government at the time of such use. The Secretary is also authorized to make indemnity payments for milk, or cows producing such milk, at a fair market value to any dairy farmer who is directed to remove his milk from commerical markets because of (1) the presence of products of nuclear radiation or fallout if such contamination is not due to the fault of the farmer, or (2) residues of chemicals or toxic substances not included under the first sentence of this section if such chemicals or toxic substances were not used in a manner contrary to applicable regulations or labeling instructions provided at the time of use and the contamination is not due to the fault of the farmer: *Provided,* That no indemnity payment may be made for contamination resulting from such residues of chemicals or toxic substances if the Secretary determines within thirty days after the date of application for payment that other legal rescourse is available to the farmer. Any indemnity payment to any farmer shall continue until he has been reinstated and is again allowed to dispose of his milk on commercial markets.

SEC. 2. There is hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this Act.

SEC. 3. The authority granted under this Act shall expire on September 30, [1985] *1989.*

TITLE III—WOOL AND MOHAIR

NATIONAL WOOL ACT OF 1954

SEC. 701. This title may be cited as the "National Wool Act of 1954."

* * * * * * *

SEC. 703. (a) The Secretary of Agriculture shall, through the Commodity Credit Corporation, support the prices of wool and mohair, respectively, to the producers thereof by means of loans, purchases, payments, or other operations. Such price support shall be limited to wool and mohair marketed during the period beginning April 1, 1955, and ending December 31, **[**1985**]** *1989.*

(b) The support price for shorn wool for the 1966 and each subsequent marketing year shall be determined by multiplying 62 cents by the ratio of (i) the average of the parity index (the index of prices paid by farmers, including commodities and services, interest, taxes, and farm wage rates, as defined in section 301(a)(1)(C) of the Agricultural Adjustment Act of 1938, as amended) for the three calendar years immediately preceding the calendar year in which such price support is determined and announced to (ii) the average parity index for the three calendar years 1958, 1959, and 1960, and rounding the resulting amount to the nearest full cent: *Provided,* That for the marketing years beginning January 1, 1982, and ending December 31, **[**1985**]** 1989, the support price for shorn wool shall be 77.5 per centum (rounded to the nearest full cent) of the amount calculated according to the foregoing formula.

(c) The support prices for pulled wool and for mohair shall be established at such levels, in relationship to the support price for shorn wool, as the Secretary determines will maintain normal marketing practices for pulled wool, and as the Secretary shall determine is necessary to maintain approximately the same percentage of parity for mohair as for shorn wool. The deviation of mohair support prices shall not be calculated so as to cause it to rise or fall more than 15 per centum above or below the comparable percentage of parity at which shorn wool is supported: *Provided,* That for the marketing years beginning January 1, 1971, and ending December 31, 1976, the support price for mohair shall be 80.2 cents per pound, grease basis.

(d) Notwithstanding the foregoing, no price support shall be made available, other than through payments, at a level in excess of 90 per centum of the parity price for the commodity.

(e) The Secretary shall, to the extent practicable, announce the support price levels for wool and mohair sufficiently in advance of each marketing year as will permit producers to plan their production for such marketing year.

(f)(1) The total amount of payments that a person shall be entitled to receive under this section for any marketing year may not exceed $50,000.

(2)(A) The Secretary shall issue regulations—

(i) defining the term "person", and

(ii) prescribing such rules as the Secretary determines necessary to assure a fair and reasonable application of the limitation established under this subsection.

(B) The regulations issued by the Secretary on December 18, 1970, under section 101 of the Agricultural Act of 1970 (7 U.S.C. 1307) shall be used to establish the percentage ownership of a corporation by the stockholders of such corporation for the purpose of determining whether such corporation and stockholders are separate persons under this subsection.

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SEC. 708. The Secretary of Agriculture is authorized to enter into agreements with, or to approve agreements entered into between, marketing cooperatives, trade associations, or others engaged or whose members are engaged in the handling of wool, mohair, sheep, or goats or the products thereof for the purpose of developing and conducting on a national, State, or regional basis advertising and sales promotion programs and programs for the development and dissemination of information on product quality, production management, and marketing improvement, for wool, mohair, sheep, or goats or the products thereof. Advertising and sales promotion programs may be conducted outside of the United States for the purpose of maintaining and expanding foreign markets and uses for [mohair or goats or the products thereof] *wool, sheep, mohair, or goats, or the products thereof,* produced in the United States. Provision may be made in such agreement to obtain the funds necessary to defray the expenses incurred thereunder through pro rata deductions from the payments made under section 704 of this title to producers within the production area he determines will be benefited by the agreement and for the assignment and transfer of the amounts so deducted to the person or agency designated in the agreement to receive such amounts for expenditure in accordance with the terms and conditions of the agreement. No agreement containing such a provision for defraying expenses through deductions shall become effective until the Secretary determines that at least two-thirds of the producers who, during a representative period determined by the Secretary, have been engaged, within the production area he determines will be benefited by the agreement, in the production for market of the commodity specified therein approve or favor such agreement or that producers who, during such representative period have produced at least two-thirds of the volume of such commodity produced within the area which will be benefited by such agreement, approve or favor such agreement. Approval or disapproval by cooperative associations shall be considered as approval or disapproval by the producers who are members of, stockholders in, or under contract with such cooperative association of producers. The Secretary may conduct a referendum among producers to ascertain their approval or favor. The requirements of approval or favor shall be held to be complied with if two-thirds of the total number of producers, or two-thirds of the total volume of production, as the case may be, represented in such referendum, indicate their approval or favor.

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TITLE IV—WHEAT

AGRICULTURAL ADJUSTMENT ACT OF 1938

AN ACT To provide for the conservation of national soil resources and to provide an adequate and balanced flow of agricultural commodities in interstate and foreign commerce and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Adjustment Act of 1938."

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TITLE III—LOANS, PARITY PAYMENTS, CONSUMER SAFEGUARDS, MARKETING QUOTAS, AND MARKETING CERTIFICATES

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PART III—MARKETING QUOTAS—WHEAT

(Note.—Section 331 is not applicable to the 1986 through 1989 crops of wheat.)

LEGISLATIVE FINDINGS

SEC. 331. Wheat is a basic source of food for the Nation, is produced throughout the United States by more than a million farmers, is sold on the country-wide market and, as wheat or flour, flows almost entirely through instrumentalities of interstate and foreign commerce from producers to consumers.

Abnormally excessive and abnormally deficient supplies of wheat on the country-wide market acutely and directly affect, burden, and obstruct interstate and foreign commerce. Abnormally excessive supplies overtax the facilities of interstate and foreign transportation, congest terminal markets and milling centers in the flow of wheat from producers to consumers, depress the price of wheat in interstate and foreign commerce and otherwise disrupt the orderly marketing of such commodity in such commerce. Abnormally deficient supplies result in an inadequate flow of wheat and its products in interstate and foreign commerce with consequent injurious effects to the instrumentalities of such commerce and with excessive increases in the prices of wheat and its products in interstate and foreign commerce.

It is in the interest of the general welfare that interstate and foreign commerce in wheat and its products be protected from such burdensome surpluses and distressing shortages, and that a supply of wheat be maintained which is adequate to meet domestic consumption and export requirements in years of drought, flood, and other adverse conditions as well as in years of plenty, and that the soil resources of the Nation be not wasted in the production of such burdensome surpluses. Such surpluses result in disastrously low prices of wheat and other grains to wheat producers, destroy the purchasing power of grain producers for industrial products, and reduce the value of the agricultural assets supporting the national credit structure. Such shortages of wheat result in unreasonably high prices of flour and bread to consumers and loss of market outlets by wheat producers.

The conditions affecting the production and marketing of wheat are such that, without Federal assistance, farmers, individually or in cooperation, cannot effectively prevent the recurrence of such surpluses and shortages and the burdens on interstate and foreign commerce resulting therefrom, maintain normal supplies of wheat, or provide for the orderly marketing thereof in interstate and foreign commerce.

Wheat which is planted and not disposed of prior to the date prescribed by the Secretary for the disposal of excess acres of wheat is an addition to the total supply of wheat and has a direct effect on the price of wheat in interstate and foreign commerce and may also affect the supply and price of livestock and livestock products. In the circumstances, wheat not disposed of prior to such date must be considered in the same manner as mechanically harvested wheat in order to achieve the policy of the Act.

The diversion of substantial acreages from wheat to the production of commodities which are in surplus supply or which will be in surplus supply if they are permitted to be grown on the diverted acreage would burden, obstruct, and adversely affect interstate and foreign commerce in such commodities, and would adversely affect the prices of such commodities in interstate and foreign commerce. Small changes in the supply of a commodity could create a sufficient surplus to affect seriously the price of such commodity in interstate and foreign commerce. Large changes in the supply of such commodity could have a more acute effect on the price of the commodity in interstate and foreign commerce and, also, could overtax the handling, processing, and transportation facilities through which the flow of interstate and foreign commerce in such commodity is directed. Such adverse effects caused by overproduction in one year could further result in a deficient supply of the commodity in the succeeding year, causing excessive increases in the price of the commodity in interstate and foreign commerce in such year. It is, therefore, necessary to prevent acreage diverted from the production of wheat to be used to produce commodities which are in surplus supply or which will be in surplus supply if they are permitted to be grown on the diverted acreage.

The provisions of this part affording a cooperative plan to wheat producers are necessary in order to minimize recurring surpluses and shortages of wheat in interstate and foreign commerce, to provide for the maintenance of adequate reserve supplies thereof, to provide for an adequate and orderly flow of wheat and its products in interstate and foreign commerce at prices which are fair and reasonable to farmers and consumers, and to prevent acreage diverted from the production of wheat adversely affecting other commodities in interstate and foreign commerce.

(Note.—Section 332 is not applicable to the 1987 through 1989 crop of wheat.)

PROCLAMATIONS OF SUPPLIES AND ALLOTMENTS

SEC. 332. (a) Whenever prior to April 15 in any calendar year the Secretary determines that the total supply of wheat in the marketing year beginning in the next succeeding calendar year will, in the absence of a marketing quota program, likely be excessive, the Secretary shall proclaim that a national marketing quota for wheat shall be in effect for such marketing year and for either the following marketing year or the following two marketing years, if the Secretary determines and declares in such proclamation that a two- or three-year marketing quota program is necessary to effectuate the policy of the Act.

(b) If a national marketing quota for wheat has been proclaimed for any marketing year, the Secretary shall determine and proclaim the amount of the national marketing quota for such marketing year not earlier than January 1 or later than April 15 of the calendar year preceding the year in which such marketing year begins. The amount of the national marketing quota for wheat for any marketing year shall be an amount of wheat which the Secretary estimates (i) will be utilized during such marketing year for human consumption in the United States as food, food products, and beverages, composed wholly or partly of wheat, (ii) will be utilized during such marketing year in the United States for seed, (iii) will be exported either in the form of wheat or products thereof, and (iv) will be utilized during such marketing year in the United States as livestock (including poultry) feed, excluding the estimated quantity of wheat which will be utilized for such purpose as a result of the substitution of wheat for feed grains under section 328 of the Food and Agriculture Act of 1962; less (A) an amount of wheat equal to the estimated imports of wheat into the United States during such marketing year and, (B) if the stocks of wheat owned by the Commodity Credit Corporation are determined by the Secretary to be excessive, an amount of wheat determined by the Secretary to be a desirable reduction in such marketing year in such stocks to achieve the policy of the Act: *Provided,* That if the Secretary determines that the total stocks of wheat in the Nation are insufficient to assure an adequate carryover for the next succeeding marketing year, the national marketing quota otherwise determined shall be increased by the amount the Secretary determines to be necessary to assure an adequate carryover: *And provided further,* That the national marketing quota for wheat for any marketing year shall be not less than one billion bushels.

(c) If, after the proclamation of a national marketing quota for wheat for any marketing year, the Secretary has reason to believe that, because of a national emergency or because of a material increase in the demand for wheat, the national marketing quota should be terminated or the amount thereof increased, he shall cause an immediate investigation to be made to determine whether such action is necessary in order to meet such emergency or increase in the demand for wheat. If, on the basis of such investigation, the Secretary finds that such action is necessary, he shall immediately proclaim such finding and the amount of any such increase found by him to be necessary and thereupon such national marketing quota shall be so increased or terminated. In case any national marketing quota is increased under this subsection, the Secretary shall provide for such increase by increasing acreage allotments established under this part by a uniform percentage.

(d) Notwithstanding any other provision of this Act, the Secretary shall not proclaim a national marketing quota for the crops of wheat planted for harvest in the calendar years 1966 through 1970, and farm marketing quotas shall not be in effect for such crops of wheat.

(Note.—Section 333 is not applicable to the 1987 through 1989 crops of wheat.)

NATIONAL ACREAGE ALLOTMENT

SEC. 333. The Secretary shall proclaim a national acreage allotment for each crop of wheat. The amount of the national acreage allotment for any crop of wheat shall be the number of acres which the Secretary determines on the basis of the projected national yield and expected underplantings (acreage other than that not harvested because of program incentives) of farm acreage allotments will produce an amount of wheat equal to the national marketing quota for wheat for the marketing year for such crop, or if a national marketing quota was not proclaimed, the quota which would have been determined if one had been proclaimed.

(Note.—Section 334 is not applicable to the 1987 through 1989 crops of wheat.)

APPORTIONMENT OF NATIONAL ACREAGE ALLOTMENT

SEC. 334. (a) The national allotment for wheat, less a reserve of not to exceed 1 per centum thereof for apportionment as provided in this subsection and less the special acreage reserve provided for in this subsection, shall be apportioned by the Secretary among the States on the basis of the preceding year's allotment for each such State, including all amounts allotted to the State and including for 1967 the increased acreage in the State allotted for 1966 under section 335, adjusted to the extent deemed necessary by the Secretary to establish a fair and equitable apportionment base for each State, taking into consideration established crop rotation practices, estimated decreases in farm allotments because of loss of history, and other relevant factors. The reserve acreage set aside herein for apportionment by the Secretary shall be used (1) to make allotments to counties in addition to the county allotments made under subsection (b) of this section, on the basis of the relative needs of counties for additional allotments because of reclamation and other new areas coming into production of wheat, or (2) to increase the allotment for any county, in which wheat is the principal crop produced, on the basis of its relative need for such increase if the average ratio of wheat acreage allotment to cropland on old wheat farms in such county is less by at least 20 per centum than such average ratio on old wheat farms in an adjoining county or counties in which wheat is the principal grain crop produced or if there is a definable contiguous area consisting of an least 10 per centum of the cropland acreage in such county in which the average ratio of wheat acreage allotment to cropland on old wheat farms is less by at least 20 per centum than such average ratio on the remaining old wheat farms in such county, provided that such low ratio of wheat acreage allotment to cropland is due to the shift prior to 1951 from wheat to one or more alternative income-producing crops which, because of plant disease or sustained loss of markets, may no longer be produced at a fair profit and there is no other alternative income-producing crop suitable for production in the area or county. The increase in the county allotment under clause (2) of the preceding sentence shall be used to increase allotments for old wheat farms in the affected area to make such allotments comparable with those on similar farms in the adjoining areas or counties but the average ratio of increased allotments to cropland on such farms shall not exceed the average ratio of wheat acreage allotment to cropland on old wheat farms in the adjoining areas or counties. There also shall be made available a special acreage reserve of not in excess of one million acres as determined by the Secretary to be desirable for the purposes hereof which shall be in addition to the national acreage reserve provided for in this subsection. Such special acreage reserve shall be made available to the States to make additional allotments to counties on the basis of the relative needs of counties, as determined by the Secretary, for additional allotments to make adjustments in the allotments on old wheat farms (that is, farms on which wheat has been seeded or regarded as seeded to one or more of the three crops immediately preceding the crop from which the allotment is established) on which the ratio of wheat acreage allotment to cropland on the farm is less than one-half the average ratio of wheat acreage allotment to cropland on old wheat farms in the county. Such adjustments shall not provide an allotment for any farm which would result in an allotment-cropland ratio for the farm in excess of one-half of such county average ratio and the total of such adjustments in any county shall not exceed the acreage made available therefor in the county. Such apportionment from the special acreage reserve shall be made only to counties where wheat is a major income-producing crop, only to farms on which there is limited opportunity for the production of an alternative income-producing crop, and only if an efficient farming operation on the farm requires the allotment of additional acreage from the special acreage reserve. For the purposes of making adjustments hereunder the cropland on the farm shall not include any land developed as cropland subsequent to the 1963 crop year.

(b) The State acreage allotment for wheat, less a reserve of not to exceed 3 per centum thereof for apportionment as provided in subsection (c) of this section, shall be apportioned by the Secretary among the counties in the State, on the basis of the preceding year's wheat allotment in each such county, including for 1967 the increased acreage in the county allotted for 1966 pursuant to section 335, adjusted to the extent deemed necessary by the Secretary in order to establish a fair and equitable apportionment base for each county, taking into consideration established crop rotation practices, estimated decrease in farm allotments because of loss of history, and other relevant factors.

(c)(1) The allotment to the country shall be apportioned by the Secretary, through the local committees, among the farms within the county on the basis of past acreage of wheat, tillable acres, crop-rotation practices, type of soil, and topography: Not more than 3 per centum of the State allotment shall be apportioned to farms on which wheat has not been planted during any of the three marketing years immediately preceding the marketing year in which the allotment is made. For the purpose of establishing farm acreage allotments—(i) the past acreage of wheat on any farm for 1958 or 1965 shall be the base acreage determined for the farm under the regulations issued by the Secretary for determining 1958 or 1965 farm wheat acreage allotments; (ii) if subsequent to the determination of such base acreage the 1958 or 1965 wheat acreage allotment for the farm is increased through administrative, review, or court proceedings, the 1958 or 1965 farm base acreage shall be increased in the same proportion; and (iii) the past acreage of wheat for 1959 and any subsequent year except 1965 shall be the wheat acreage on the farm which is not in excess of the farm wheat acreage allotment, plus, in the case of any farm which is in compliance with its farm wheat acreage allotment, the acreage diverted under such wheat allotment program: *Provided,* That for 1959 and subsequent years in the case of any farm on which the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty, the past acreage of wheat for the year in which such farm marketing excess is so delivered or stored shall be the farm base acreage of wheat determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year, but if any part of the amount of wheat so stored is later depleted and penalty becomes due by reason of such depletion, for the purpose of establishing farm wheat acreage allotments subsequent to such depletion the past acreage of wheat for the farm for the year in which the excess was produced shall be reduced to the farm wheat acreage allotment for such year.

(2) Notwithstanding any other provision of law, each old or new farm acreage allotment for the 1962 crop of wheat as determined on the basis of a minimum national acreage allotment of fifty-million acres shall be reduced by 10 per centum. In the event notices of farm acreage allotments for the 1962 crop of wheat have been mailed to farm operators prior to the effective date of this subparagraph (2), new notices showing the required reduction shall be mailed to farm operators as soon as practicable.

(3) Notwithstanding the provisions of paragraph (1) of this subsection, the past acreage of wheat for 1967 and any subsequent year shall be the acreage of wheat planted, plus the acreage regarded as planted, for harvest as grain on the farm which is not in excess of the farm acreage allotment.

(4) Notwithstanding any other provision of this subsection (c), the farm acreage allotment for the 1967 and any subsequent crop of wheat shall be established for each old farm by apportioning the county wheat acreage allotment among farms in the county on which wheat has been planted, or is considered to have been planted, for harvest as grain in any one of the three years immediately preceding the year for which allotments are determined on the past acreage of wheat and the farm acreage allotment for the year immediately preceding the year for which the allotment is being established, adjusted as hereinafter provided. For purposes of this paragraph, the acreage allotment for the immediately preceding year may be adjusted to reflect established crop-rotation practices,

may be adjusted downward to reflect a reduction in the tillable acreage on the farm, and may be adjusted upward to reflect such other factors as the Secretary determines should be considered for the purpose of establishing a fair and equitable allotment: *Provided,* That (i) for the purposes of computing the allotment for any year, the acreage allotment for the farm for the immediately preceding year shall be decreased by 7 per centum if for the year immediately preceding the year for which such reduction is made neither a voluntary diversion program nor a voluntary certificate program was in effect and there was noncompliance with the farm acreage allotment for such year; (ii) for purposes of clause (i) any farm on which the entire amount of farm marketing excess is delivered to the Secretary, stored, or adjusted to zero in accordance with applicable regulations to avoid or postpone payment of the penalty when farm marketing quotas are in effect, shall be considered in compliance with the allotment, but if any part of the amount of wheat so stored is later depleted and penalty becomes due by reason of such depletion, the allotment for such farm next computed after determination of such depletion shall be reduced by reducing the allotment for the immediately preceding year by 7 per centum and (iii) for purposes of clause (i) if the Secretary determines that the reduction in the allotment does not provide fair and equitable treatment to producers on farms following special crop rotation practices, he may modify such reduction in the allotment as he determines to be necessary to provide fair and equitable treatment to such producers.

(g) Nothwithstanding any other provision of law, no acreage in the commercial wheat-producing area seeded to wheat for harvest as grain in 1958 or thereafter except 1965 in excess of acreage allotments shall be considered in establishing further State and county acreage allotments. The planting on a farm in the commercial wheat-producing area of wheat of the 1958 or any subsequent crop for which no farm wheat acreage allotment was established shall not make the farm eligible for an allotment as an old farm pursuant to the first sentence of subsection (c) of this section nor shall such farm by reason of such planting be considered ineligible for an allotment as a new farm under the second sentence of such subsection.

(i) If, with respect to any crop of wheat, the Secretary finds that the acreage allotments of farms producing any type of wheat are inadequate to provide for the production of a sufficient quantity of such type of wheat to satisfy the demand therefor, the wheat acreage allotment for such crop for each farm located in a country designated by the Secretary as a county which (1) is capable of producing such type of wheat, and (2) has produced such type of wheat for commercial food products during one or more of the five years immediately preceding the year in which such crop is harvested, shall be increased by such uniform percentage as he deems necessary to provide for such quantity. No increase shall be made under this subsection in the wheat acreage allotment of any farm for any crop if any wheat other than such type of wheat is planted on such farm for such crop. Any increases in wheat acreage allotments authorized by this subsection shall be in addition to the National, State, and county wheat acreage allotments, and such increases shall not be considered in establishing future State, county, and farm allotments. The provisions of paragraph (6) of Public Law 74, Seventy-seventh Congress, and section 326(b) of this Act, relating to the reduction of the storage amount of wheat shall apply to the allotment for the farm established without regard to this subsection and not to the increased allotment under this subsection. The land-use provisions of section 339 shall not be applicable to any farm receiving an increased allotment under this subsection and the producers on such farms shall not be required to comply with such provisions as a condition of eligibility for price support.

(j) Notwithstanding any other provision of this Act, the Secretary shall increase the acreage allotments for the 1970 and subsequent crops of wheat for privately owned farms in the irrigable portion of the area known as the Tulelake division of the Klamath project of California located in Modoc and Siskiyou Counties, California, as defined by the United States Department of the Interior, Bureau of Reclamation, and hereinafter referred to as the area. The increase for the area for each such crop shall be determined by adding, to the extent applications are made therefor, to the total allotments established for privately owned farms in the area for the particular crop without regard to this subsection (hereinafter referred to as the original allotments) an acreage sufficient to make available for each such crop a total allotment of twelve thousand acres for the area. The additional allotments made available by this subsection shall be in addition to the National, State, and county allotments otherwise established under this section, and the acreage planted to wheat pursuant to such increases in allotments shall not be taken into account in establishing future State, county, and farm acreage allotments except as may be desirable in providing increases in allotments for subequent year under this subsection for the production of Durum wheat. The Secretary shall apportion the additional allotment acreage made available under this subsection between Modoc and Siskiyou Counties on the basis of the relative needs for additional allotments for the portion of the area in each county. The Secretary shall allot such additional acreage to individual farms in the area for which applications for increased acreages are made on the basis of tillable acres, crop rotation practices, type of soil and topography, and the original allotment for the farm, if any. The increase in the wheat acreage allotment for any farm under this subsection (1) shall not be taken into account in computing the farm wheat marketing allocation under section 379b, and (2) shall be conditioned upon the production of Durum wheat on the original allotment and on the increased acreage. The producers on a farm receiving an increased allotment under this subsection shall not be eligible for diversion payments under section 339.

(k) Notwithstanding any other provision of this Act, if the Secretary determines that because of a natural disaster a portion of the farm wheat acreage allotments in a county cannot be timely planted or replanted, he may authorize the transfer of all or a part of the wheat acreage allotment for any farm in the county so affected to another farm in the county on which or in an adjoining county on which one or more of the producers on the farm from which the transfer is to be made will be engaged in the production of wheat and will share in the proceeds thereof, in accordance with such regulations as the Secretary may prescribe. Any farm allotment transferred under this subsection shall be deemed to be planted on the farm which it was transferred for the purposes of acreage history credits under this Act.

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SEC. 335. This section was applicable to only the crops planted for harvest prior to 1967.

(Note.—Section 336 is not applicable to the 1987 through 1989 crops of wheat.)

REFERENDUM

SEC. 336. If a national marketing quota for wheat for one, two or three marketing years is proclaimed, the Secretary shall, not later than August 1 of the calendar year in which such national marketing quota is proclaimed, conduct refrendum, by secret ballot, of farmers to determine whether they favor or oppose marketing quotas for the marketing year or years for which proclaimed. Any producer who has a farm acreage allotment shall be eligible to vote in any referendum held pursuant to this section, except that a producer who has a farm acreage allotment of less than fifteen acres shall not be eligible to vote unless the farm operator elected pursuant to section 335 to be subject to the farm marketing quota. The Secretary shall proclaim the results of any referendum held hereunder within thirty days after the date of such referendum and if the Secretary determines that more than one-third of the farmers voting in the referendum voted against marketing quotas, the Secretary shall proclaim that marketing quotas will not be in effect with respect to the crop or wheat produced for harvest in the calendar year following the calendar year in which the referendum is held. If the Secretary determines that two-thirds or more of the farmers voting in a referendum approve marketing quotas for a period of two or three marketing years, no referendum shall be held for the subsequent year or years of such period. Notwithstanding any other provision hereof, the referendum with respect to the national marketing quota for wheat for the marketing year beginning June 1, 1978, may be conducted not later than the earlier of the following: (1) thirty days after adjournment sine die of the first session of the Ninety-fifth Congress; or (2) October 15, 1977.

(Note.—Section 338 is not applicable to the 1987 through 1989 crops of wheat.)

TRANSFER OF QUOTAS

SEC. 338. Farm marketing quotas for wheat shall not be transferable, but, in accordance with regulations prescribed by the Secretary for such purpose, any farm marketing quota in excess of the supply of wheat for such farm for any marketing year may be allocated to other farms on which the acreage allotment has not been exceeded.

(Note.—Section 339 is not applicable to the 1986 through 1989 crops of wheat.)

LAND USE

SEC. 339. (a)(1) During any year in which marketing quotas for wheat are in effect, the producers on any farm (except a new farm receiving an allotment from the reserve for new farms) on which any crop is produced on acreage required to be diverted from the production of wheat shall be subject to a penalty on such crop, in addition to any marketing quota penalty applicable to such crops, as provided in this subsection unless (1) the crop is designated by the Secretary as one which is not in surplus supply and will not be in surplus if it is permitted to be grown on the diverted acreage, or as one of the production of which will not substantially impair the purpose of the requirements of this section, or (2) no wheat is produced on the farm, and the producers have not filed an agreement or a statement of intention to participate in the payment program formulated pursuant to subsection (b) of this section. The acreage required to be diverted from the production of wheat on the farm shall be an acreage of cropland equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor determined by dividing the number of acres by which the national acreage allotment (less an acreage equal to the increased acreage allotment for 1966 pursuant to section 335) is reduced below fifty-five million acres by the number of acres in the national acreage allotment (less an acreage equal to the increased acreage allotment for 1966 pursuant to section 335). The actual production of any crop subject to penalty under this subsection shall be regarded as available for marketing and the penalty on such crop shall be computed on the actual acreage of such crop at the rate of 65 per centum of the parity price per bushel of wheat as of May 1 of the calendar year in which such crop is harvested, multiplied by the normal yield of wheat per acre established for the farm. Until the producers on any farm pay the penalty on such crop, the entire crop of wheat produced on the farm and any subsequent crop of wheat subject to marketing quotas in which the producer has an interest shall be subject to a lien in favor of the United States for the amount of the penalty. Each producer having an interest in the crop or crops on acreage diverted or required to be diverted from the production of wheat shall be jointly and severally liable for the entire amount of the penalty. The persons liable for the payment or collection of the penalty under this section shall be liable also for interest thereon at the rate of 6 per centum per annum from the date the penalty becomes due until the date of payment of such penalty.

(2) The Secretary may require that the acreage on any farm diverted from the production of wheat be land which was diverted from the production of wheat in the previous year, to the extent he determines that such requirement is necessary to effectuate the purposes of this subtitle.

(3) The Secretary may permit the diverted acreage to be grazed in accordance with regulations prescribed by the Secretary.

(g) The Secretary is authorized to promulgate such regulations as may be desirable to carry out the provisions of this section.

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SUBTITLE D—WHEAT MARKETING ALLOCATION

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(Note.—Section 379b is not applicable to the 1986 through 1989 crops of wheat.)

WHEAT MARKETING ALLOCATION

SEC. 379b. During any marketing year for which a marketing quota is in effect for wheat, beginning with the marketing year for the 1964 crop, a wheat marketing allocation program shall be in effect as provided in this subtitle. Whenever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat which in determining the national marketing quota for such marketing year he estimated would be used during such year for food products for consumption in the United States, and that portion of the amount of wheat which in determining such quota he estimated would be exported in the form of wheat or products thereof during the marketing year on which the Secretary determines that marketing certificates shall be issued to producers in order to achieve, insofar as practicable, the price and income objectives of this subtitle, and (2) the national allocation percentage which shall be the percentage which the national marketing allocation is of the national marketing quota. Each farm shall receive a wheat marketing allocation for such marketing year equal to the number of bushels obtained by multiplying the number of acres in the farm acreage allotment for wheat by the projected farm yield, and multiplying the resulting number of bushels by the national allocation percentage. If a noncommercial wheat-producing area is established for any marketing year, farms in such area shall be given wheat marketing allocations which are determined by the Secretary to be fair and reasonable in relation to the wheat marketing allocation given producers in the commercial wheat-producing area.

(Note.—Section 379c is not applicable to the 1986 through 1989 crops of wheat.)

MARKETING CERTIFICATES

SEC. 379c. (a) The Secretary shall provide for the issuance of wheat marketing certificates for each marketing year for which a wheat marketing allocation program is in effect for the purpose of enabling producers on any farm with respect to which certificates are issued to receive, in addition to the other proceeds from the sale of wheat, an amount equal to the value of such certificates. The wheat marketing certificates issued with respect to any farm for any marketing year shall be in the amount of the farm wheat marketing allocation for such year, but not to exceed (i) the actual acreage of wheat planted on the farm for harvest in the calendar year in which the marketing year begins multiplied by the normal yield of wheat for the farm, plus (ii) the amount of wheat stored under section 379c(b) or to avoid or postpone a marketing quota penalty, which is released from storage during the marketing year on account of underplanting or underproduction, and if this limitation operates to reduce the amount of wheat marketing certificates which would otherwise be issued with respect to the farm, such reduction shall be made first from the amount of export certificates which would otherwise be issued. The Secretary shall provide for the sharing of wheat marketing certificates among producers on the farm on the basis of their respective shares in the wheat crop produced on the farm, or the proceeds therefrom; except that in any case in which the Secretary determines that such basis would not be fair and equitable, the Secretary shall provide for such sharing on such other basis as he may determine to be fair and equitable. The Secretary shall, in accordance with such regulation as he may prescribe, provide for the issuance of domestic marketing certificates for the portion of the wheat marketing allocation representing wheat used for food products for consumption in the United States. The Secretary shall also provide for the issuance of export marketing certificates to eligible producers at the end of the marketing year on a pro rata basis. For such purposes, the value per bushel of export marketing certificates shall be an average of the total net proceeds from the sale of export marketing certificates during the marketing year after deducting the total amount of wheat export subsidies paid to exporters. An acreage on the farm which the Secretary finds was not planted to wheat for harvest in 1965 because of drought, flood, or other natural disaster shall be deemed by the Secretary to be an actual acreage of wheat planted for harvest for purposes of this subsection, provided such acreage is not subsequently planted to any other price supported crop for 1965. An acreage on the farm not planted to wheat because of drought, flood, or other natural disaster shall be deemed to be an actual acreage of wheat planted for harvest for purposes of this subsection provided such acreage is not subsequently planted to any crop for which there are marketing quotas or voluntary adjustment programs in effect. Producers on any farm who have planted not less than 90 per centum of the acreage of wheat required to be planted in order to earn the full amount of marketing certificates for which the farm is eligible shall be deemed to have planted the entire acreage required to be planted for that purpose.

(b) No producer shall be eligible to receive wheat marketing certificates with respect to any farm for any marketing year in which a marketing quota penalty is assessed for any commodity on such farm or in which the farm has not complied with the land-use requirements of section 339 to the extent prescribed by the Secretary, or in which, except as the Secretary may by regulation prescribe, the producer exceeds the farm a acreage allotment on any other farm for any commodity in which he has an interest as a producer. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty. No producer shall be deemed to have exceeded the farm acreage allotment for wheat on any other farm if such farm is exempt from the farm marketing quota for such crop under section 335. Any wheat delivered to the Secretary hereunder shall become the property of the United States and shall be disposed of by the Secretary for relief purposes in the United States or in foreign countries or in such other manner as he shall determine will divert it from the normal channels of trade and commerce. Notwithstanding any other provision of this Act, the Secretary may provide that a producer shall not be eligible to receive marketing certificates, or may adjust the amount of marketing certificates to be received by the producer, with respect to any farm for any year in which a variety of wheat is planted on the farm which has been determined by the Secretary, after consultation with State Agricultural Experiment Stations, agronomists, cereal chemists and other qualified technicans, to have undesirable milling or baking qualities and has made public announcement thereof.

(c) The Secretary shall determine and proclaim for each marketing year the face value per bushel of wheat marketing certificates. The face value per bushel of wheat marketing certificates. The face value per bushel of domestic certificates shall be the amount by which the level of price support for wheat accompanied by domestic certificates exceeds the level of price support for wheat not accompanied by certificates (noncertificate wheat).

(d) Marketing certificates and transfers thereof shall be represented by such documents, marketing cards, records accounts certifications, or other statements or forms as the Secretary may prescribe.

(e) In any case in which the failure of a producer to comply fully with the term and conditions of the programs formulated under this Act preclude the issuance of marketing certificates, the Secretary may, nevertheless, issue such certificate in such amounts as he determines to be equitable in relation to the seriousness of the default.

(Note.—Section 379d is not applicable to wheat precessors or exporters during the period of June 1, 1986 through May 31, 1990.)

MARKETING RESTRICTIONS

Sec. 379d.(a) Marketing certificates shall be transferable only in accordance with regulations prescribed by the Secretary. Any unused certificates legally held by any person shall be purchased by Commodity Credit Corporation if tendered to the Corporation for purchase in accordance with regulations prescribed by the Secretary.

(b) During any marketing year for which a wheat marketing allocation program is in effect, (i) all persons engaged in the processing of wheat into food products shall, prior to marketing any such food product or removing such food product for sale or consumption, acquire domestic marketing certificates equivalent to the number of bushels of wheat contained in such product and (ii) all persons exporting wheat shall, prior to such export, acquire export marketing certificates equivalent to the number of bushels so exported. The cost of the export marketing certificates per bushel to the exporter shall be that amount determined by the Secretary on a daily basis which would make United States wheat and wheat flour generally competitive in the world market, avoid disruption of world market prices, and fulfill the international obligations of the United States. The Secretary may exempt from the requirements of this subsection wheat exported for donation abroad and other noncommercial exports of wheat, wheat processed for use on the farm where grown, wheat produced by a State or agency thereof and processed for use by the State or agency thereof, wheat processed for donation, and wheat processed for uses determined by the Secretary to be noncommercial. Such exemptions may be made applicable with respect to any wheat processed or exported beginning July 1, 1964. There shall be exempt from the requirements of this subsection beverage distilled from wheat prior to July 1, 1964. A beverage distilled from wheat after July 1, 1964, shall be deemed to be removed for sale or consumption at the time it is placed in barrels for aging except that upon the giving of a bond as prescribed by the Secretary, the purchase of and payment for such marketing certificates as may be required may be deferred until such beverage is bottled for sale. Wheat shipped to a Canadian port for storage in bond, or storage under a similar arrangement, and subsequent exportation shall be deemed to have been exported for purposes of this subsection when it is exported from the Canadian port. Marketing certificates shall be valid to cover only sales or removals for sale or consumption or exportations made during the marketing year with respect to which they are issued, and after being once used to cover a sale or removal for sale or consumption or export of a food product or an export of wheat shall be void and shall be disposed of in accordance with regulations prescribed by the Secretary. Notwithstanding the foregoing provisions hereof, the Secretary may require marketing certificates issued for any marketing year to be acquired to cover sales, removals or exportations made on or after the date during the calendar year in which wheat harvested in such calendar year begins to be marketed as determined by the Secretary even though such wheat is marketed prior to the beginning of the marketing year, and marketing certificates for such marketing year shall be valid to cover sales, removals, or exportations made on or after the date so determined by the Secretary. Whenever the face value per bushel of domestic marketing certificates for a marketing year is different from the face value of domestic marketing certificates for the preceding marketing year, the Secretary may require marketing certificates issued for the preceding marketing year to be acquired to cover all wheat processed into food products during such preceding marketing year even though the food product may be marketed or removed for sale or consumption after the end of the marketing year. Notwithstanding the foregoing, the Secretary is authorized, to temporarily suspend, the requirement for exporting marketing certificates for the period beginning July 1, 1971, and ending June 30, 1974.

(c) Upon the giving of a bond or other undertaking satisfactory to the Secretary to secure the purchase of and payment for such marketing certificates as may be required, and subject to such regulations as he may prescribe, any person required to have marketing certificates in order to market or export a community may be permitted to market any such commodity without having first acquired marketing certificates.

(d) As used in this subtitle, the term "food products" means flour (excluding flour second clears not used for human consumption as determined by the Secretary), semolina, farina, bulgur, beverage, and any other product composed wholly or partly of wheat which the Secretary may determine to be a food product. The Secretary may at his election administer the exemption for wheat processed into flour second clears though refunds either to processors of such wheat or to the users of such clears. For the purpose of such refunds, the wheat equivalent of flour second clears may be determined on the basis of conversion factors authorized by section 397f of the Agricultural Adjustment Act of 1938, even though certificates had been surrendered on the basis of the weight of the wheat.

(Note.—Section 379e is not applicable to wheat processors or exporters during the period of June 1, 1986, through May 31, 1990.

ASSISTANCE IN PURCHASE AND SALE OF MARKETING CERTIFICATES

Sec. 397e. For the purpose of facilitating the purchase and sale of marketing certificates, the Commodity Credit Corporation is authorized to issue, buy, and sell marketing certificates in accordance with regulations prescribed by the Secretary. Such regulations may authorize the Corporation to issue and sell certificates in excess of the quantity of certificates which it purchases. Such regulations may authorize the Corporation in the sale of marketing certificates to charge, in addition to the face value thereof, an amount determined by the Secretary to be appropriate to cover estimated administrative costs in connection with the purchase and sale of the certificates and estimated interest incurred on funds of the Corporation invested in certificates purchased by it. Notwithstanding any other provision of this Act, Commodity Credit Corporation shall sell marketing certificates for the marketing years for the 1966 through the 1970 wheat crops to persons engaged in the processing of food products at the face value thereof less any amount by which price support for wheat accompanied by domestic certificates exceeds $2 per bushel. Notwithstanding any other provision of this Act, Commodity Credit Corporation shall sell marketing certificates for the marketing years for the 1971, 1972, and 1973 crops of wheat to persons engaged in the processing of food products but in determining the cost to processors the face value shall be 75 cents per bushel.

(Note.—Section 379f is not applicable to wheat processors or exporters during the period of June 1, 1986, through May 31, 1990.)

CONVERSION FACTORS

Sec. 379f. The Secretary shall establish conversion factors which shall be used to determine the amount of wheat contained in any food product. The conversion factor for any such food product shall be determined upon the basis of the weight of wheat used in the manufacture of such product.

(Note.—Section 379g is not applicable to wheat processors or exporters during the period of June 1, 1986, through May 31, 1990.)

AUTHORITY TO FACILITATE TRANSITION

Sec. 379g (a) The Secretary is authorized to take such action as he determines to be necessary to facilitate the transition from the program currently in effect to the program provided for in this subtitle. Notwithstanding any other provision of this subtitle, such authority shall include, but shall not be limited, to the authority to exempt all or a portion of the wheat or food products made therefrom in the channels of trade on the effective date of the program under this subtitle from the marketing restrictions in subsection (b) of section 379d, or to sell certificates to persons owning such wheat or food products at such prices as the Secretary may determine. Any such certificate shall be issued by Commodity Credit Corporation.

(b) Whenever the face value per bushel of domestic marketing certificates for a marketing year is substantially different from the face value of domestic marketing certificates for the preceding marketing year, the Secretary is authorized to take such action as he determines necessary to facilitate the transition between marketing years. Notwithstanding any other provision of this subtitle, such authority shall include, but shall not be limited to, the authority to sell certificates to persons engaged in the processing of wheat into food products covering such quantities of wheat, at such prices, and under such terms and conditions as the Secretary may by regulation provided. Any such certificate shall be issued by Commodity Credit Corporation.

(c) The Secretary is authorized to take such action as he determines to be necessary to facilitate the transition from the certificate program provided for under section 379d to a program under which no certificates are required. Notwithstanding any other provision of law, such authority shall include, but shall not be limited to the authority to exempt all or a portion of wheat or food products made therefrom in the channels of trade on July 1, 1973, from the marketing restrictions in subsection (b) of section 379d, or to sell certificates to persons owning such wheat or food products made therefrom at such price and under such terms and conditions as the Secretary may determine. Any such certificate shall be issued by the Commodity Credit Corporation. Nothing herein shall authorize the Secretary to require certificates on wheat processed after June 30, 1973.

(Note.—Section 379h is not applicable to wheat processors or exporters during the period of June 1, 1986, through May 31, 1990.)

REPORTS AND RECORDS

SEC. 379h. This section shall apply to processors of wheat, warehousemen and exporters of wheat and food products, and all persons purchasing, selling or otherwise dealing in wheat marketing certificates. Any such person shall, from time to time on request of the Secretary, report to the Secretary such information and keep such records as the Secretary finds to be necessary to enable him to carry out the provisions of this subtitle. Such information shall be reported and such records shall be kept in such manner as the Secretary shall prescribe. For the purpose of ascertaining the correctness of any report made or record kept, or of obtaining information required to be furnished in any report, but not so furnished, the Secretary is hereby authorized to examine such books, papers, records, accounts, correspondence, contracts, documents, and memorandums as he has reason to believe are relevant and are within the control of such person.

(Note.—Section 379i is not applicable to wheat processors or exported during the period of June 1, 1986, through May 31, 1990.)

PENALTIES

SEC. 379i. (a) Any person who knowingly violates or attempts to violate or who knowingly participates or aids in the violation of any of the provisions of subsection (b) of section 379d of this Act shall forfeit to the United States a sum equal to two times the face value of the marketing certificates involved in such violation. Such forfeiture shall be recoverable in a civil action brought in the name of the United States.

(b) Any person, except a producer in his capacity as a producer, who knowingly violates to attempts to violate or who knowingly participates or aids in the violation of any provision of this subtitle, or of any regulation, governing the acquisition, disposition, or handling of marketing certificates or who knowingly fails to make any report or keep any record as required by section 379h shall be deemed guilty of a misdemeanor and upon conviction thereof shall be subject to a fine of not more than $5,000 for each violation.

(c) Any person who, in his capacity as a producer, knowingly violates or attempts to violate or participates or aids in the violation of any provision of this subtitle, or of any regulation governing the acquisition, disposition, or handling of marketing certificates or fails to make any report or keep any record as required by section 379h shall, (i) forfeit any right to receive marketing certificates, in whole or in part as the Secretary may determine, with respect to the farm or farms and for the marketing year with respect to which any such act or default is committed or (ii), if such marketing certificates have already been issued, pay to the Secretary, upon demand, the amount of the face value of such certificates, or such part thereof as the Secretary may determine. Such determination by the Secretary with respect to the amount of such marketing certificates to be forfeited or the amount to be paid by such producer shall take into consideration the circumstances relating to the act or default committed and the seriousness of such act or default.

(d) Any persons who falsely makes, issues, alters, forges, or counterfeits any marketing certificates, or with fraudulent intent possesses, transfers, or uses any such falsely made, issued, altered, forged, or counterfeited marketing certificate, shall be deemed guilty of a felony and upon conviction thereof shall be subject to a fine of not more than $10,000 or imprisonment or not more than ten years, or both.

(Note.—Section 379j is not applicable to wheat processors or exporters during the period of June 1, 1986, through May 31, 1990.)

REGULATIONS

SEC. 379j. The secretary shall prescribe such regulations as may be necessary to carry out the provisions of this subtitle including but not limited to regulations governing the acquisition, disposition, or handling or marketing certificates.

* * * * * * *

(Note.—Public Law 74, 77th Congress shall not be applicable to the crops of wheat planted for harvest in the calendar years 1986 through 1989.)

PUBLIC LAW 74, 77TH CONGRESS, AS AMENDED

That notwithstanding the provisions of the Agricultural Adjustment Act of 1938, as amended (hereinafter referred to as the Act)—

(1) The farm marketing quota for any crop of wheat shall be the actual production of the acreage planted to such crop of wheat on the farm less the farm marketing excess. The farm marketing excess shall be an amount equal to twice the projected farm yield multiplied by the number of acres of such crop of wheat on the farm in excess of the farm acreage allotment for such crop unless the producer, in accordance with regulations issued by the Secretary and within the time prescribed therein, establishes to the satisfaction of the Secretary the actual production of such crop of wheat on the farm. If such actual production is so established, the farm marketing excess shall be an amount equal to the actual production of the number of acres of wheat on the farm in excess of the farm acreage allotment for such crop. In determining the farm marketing quota and farm marketing excess, any acreage of wheat remaining after the date prescribed by the Secretary for the disposal of excess acres of wheat shall be included as acreage of wheat on the farm and the production thereof shall be appraised in such manner as the Secretary determines will provide a reasonably accurate etimate of such production. Any acreage of wheat disposed of in accordance with regulations issued by the Secretary prior to such data as may be prescribed by the Secretary shall be excluded in determining the farm marketing quota and farm marketing excess. Self-seeded (volunteer) wheat shall be included in determining the acreage of wheat. Marketing quotas for any marketing year shall be in effect with respect to wheat harvested in the calendar year in which such marketing year begins notwithstanding that the wheat is marketed prior to the beginning of such marketing year.

(2) Whenever farm marketing quotas are in effect with respect to any crop of wheat, the producers on a farm shall be subject to a penalty on the farm marketing excess of wheat at a rate per bushel equal to 65 per centum of the parity price per bushel of wheat as of May 1 of the calendar year in which the crop is harvested. Each producer having an interest in the crop of wheat on any farm for which a farm marketing excess of wheat is determined shall be jointly and severally liable for the entire amount of the penalty on the farm marketing excess.

(3) The farm marketing excess for wheat shall be regarded as available for marketing and the penalty and the storage amount or amounts to be delivered to the Secretary of the commodity shall be computed upon twice the normal production of the excess acreage. Where, upon the application of the producer for an adjustment of penalty or of storage, it is shown to the satisfaction of the Secretary that the actual production of the excess acreage is less than twice the normal production thereof, the difference between the amount of the penalty or storage as computed upon the basis of

twice the normal production and as computed upon the basis of actual production shall be returned to or allowed the producer. The Secretary shall issue regulations under which the farm marketing excess of the commodity for the farm may be stored or delivered to him. Upon failure to store or deliver to the Secretary the farm marketing excess within such time as may be determined under regulations prescribed by the Secretary, the penalty computed as aforesaid shall be paid by the producer. Any wheat delivered to the Secretary hereunder shall become the property of the United States and shall be disposed of by the Secretary for relief purposes in the United States or in foreign countries in such other manner as he shall determine will divert it from the normal channels of trade and commerce.

(4) Until the producers on any farm store, deliver to the Secretary, or pay the penalty on, the farm marketing excess of any crop of wheat, the entire crop of wheat produced on the farm and any subsequent crop of wheat subject to marketing quotas in which the producer has an interest shall be subject to a lien in favor of the United States for the amount of the penalty.

(5) The penalty upon wheat stored shall be paid by the producer at the time, and to the extent, of any depletion in the amount of the commodity so stored, except depletion resulting from some cause beyond the control of the producer.

(6) Whenever the planted acreage of the then current crop of wheat on any farm is less than the farm acreage allotment for such commodity, the total amount of the commodity from any previous crops required to be stored in order to postpone or avoid payment of penalty shall be reduced by that amount which is equal to the normal production in the number of acres by which the farm acreage allotment exceeds the planted acreage. The provisions of section 326 (b) and (c) of the Act shall be applicable also to wheat.

(7) Until the farm marketing excess of wheat is stored or delivered to the Secretary or the penalty thereon is paid, each bushel of the commodity produced on the farm which is sold by the producer to any person within the United States shall be subject to the penalty as specified in paragraph (2) of this resolution. Such penalty shall be paid by the buyer, who may deduct an amount equivalent to the penalty from the price paid to the producer. If the buyer fails to collect such penalty, such buyer and all persons entitled to share in the wheat marketed from the farm or the proceeds thereof shall be jointly and severally liable for such penalty.

(8) * * *

(9) * * *

(10) The provisions of this resolution are amendatory of and supplementary to the Act, and all provisions of law applicable in respect of marketing quotas and loans under such Act as so amended and supplemented shall be applicable, but nothing in this resolution shall be construed to amend or repeal section 301(b)(6), 323(b) or 355(d) of the Act.

(11) The persons liable for the payment or collection of the penalty on any amount of wheat shall be liable also for interest thereon at the rate of 6 per centum per annum from the date the penalty becomes due until the date of payment of such penalty.

(12) If marketing quotas for wheat are not in effect for any marketing year, all previous marketing quotas applicable to wheat shall be terminated, effective as of the first day of such marketing year. Such termination shall not abate any penalty previously incurred by a producer or relieve any buyer of the duty to remit penalties previously collected by him.

PROCLAMATION OF MARKETING QUOTAS

SEC. 332. (a) As used in sections 332 through 338:

(1) The term "base period" means the 1981 through 1985 crop years for wheat.

(2) The term "marketing quota period" means the 1987 through 1989 marketing years for wheat.

(b)(1) Not later than April 1, 1986, the Secretary shall conduct a poll, by mail ballot, of eligible producers to determine whether such producers favor—

(A) the proclamation of national marketing quotas for wheat for the marketing quota period; and

(B) the conduct of a marketing quota referendum for such period.

(2) Any producer who produced wheat on a farm during at least one of the crop years of the base period shall be eligible to vote in such poll.

(3) Not later than 60 days after the conduct of such poll, the Secretary shall proclaim the results of such poll.

(c)(1) If more than 50 percent of the eligible producers responding to such poll favor the proclamation of such quotas and the conduct of such referendum, the Secretary shall—

(A) proclaim national marketing quotas for wheat for each marketing year of the marketing quota period not later than June 15 of the calendar year preceding such period; and

(B) conduct, by mail ballot, such referendum not later than August 1 of the calendar year preceding such period.

(2) The quantity of the national marketing quota for wheat for any marketing year shall be a quantity of wheat that the Secretary estimates is required to meet anticipated needs during such marketing year, taking into consideration domestic requirements, export demand, emergency food aid needs, and adequate carryover stocks.

(d) If, after the proclamation of a national marketing quota for wheat for any marketing year, the Secretary determines that the national marketing quota should be terminated or adjusted to meet a national emergency or a material change in the demand for wheat, the Secretary shall adjust or terminate the national marketing quota.

MARKETING QUOTA APPORTIONMENT FACTOR

Sec. 333. (a) The Secretary shall establish a marketing quota apportionment factor for each crop of wheat for which a national marketing quota is proclaimed under section 332.

(b) The apportionment factor shall be determined by dividing—

(1) the national marketing quota for such crop of wheat; by

(2) the average number of bushels of wheat the Secretary determines was produced in the United States during the base

period, adjusted to reflect the quantity of wheat that would have been produced during such years except for—

(A) drought, flood, or other natural disaster, or other conditions beyond the control of producers; and

(B) participation in any acreage reduction, set-aside, or diversion programs for wheat during such crop years,

as determined by the Secretary.

FARM MARKETING QUOTAS

Sec. 334. (a) For each crop of wheat for which a national marketing quota has been proclaimed under section 332, the Secretary shall establish a farm marketing quota for each farm on which wheat was planted for harvest, or considered planted for harvest, during the base period.

(b) The farm marketing quota shall be equal to the product obtained by multiplying—

(1) the average number of acres of wheat planted for harvest, or considered planted for harvest, on the farm during the base period; by

(2) the average yield of wheat planted for harvest, or considered planted for harvest, on the farm during such base period, as determined by the secretary on such basis as the Secretary determines will provide a fair and equitable yield; by

(3) the marketing quota apportionment factor.

(c) For purposes of this section, wheat shall be considered to have been planted for harvest on the farm in any crop year to the extent that the Secretary determines that wheat was not planted for harvest on the farm because—

(1) of drought, flood, or other natural disaster, or other condition beyond the control of the producer, as determined by the Secretary; or

(2) the producer on the farm participated in any acreage reduction, set-aside, or diversion program for wheat during such crop years.

(d) Farm marketing quotas shall be established by the Secretary under this section by July 15 of the calendar year preceding each marketing year for which a national marketing quota has been proclaimed under section 332.

MARKETING PENALTIES

Sec. 335. (a) The marketing of wheat produced on a farm in excess of a farm marketing quota shall be subject to a penalty at a rate per bushel equal to 75 percent of the national average market price for wheat during the immediately preceding marketing year.

(b) The penalty provided for in subsection (a) shall be paid—

(1) in the case of wheat marketed by sale to a person within the United States, by the person who acquired the wheat from the producer, except that an amount equivalent to the penalty may be deducted by the buyer from the price paid to the producer;

(2) in the case of wheat marketed through a warehouseman or agent, by the warehouseman or agent, who may deduct an

amount equivalent to the penalty from the price paid to the producer; or

(3) in the case of wheat marketed directly to any person outside the United States, by the producer.

(c) If any producer falsely identifies, or fails to certify, the acreage planted to wheat for harvest or fails to account for the disposition of any wheat produced on such planted acreage in accordance with regulations issued by the Secretary—

(1) a quantity of wheat equal to the product obtained by multiplying—

(A) the farm program yield, as determined by the Secretary under section 107D(e) of the Agricultural Act of 1949; by

(B) the planted acreage, shall be deemed to have been marketed in excess of the farm marketing quota; and

(2) the penalty provided for in subsection (a) on such quantity of wheat shall be paid by the producer.

(d) Each producer having an interest in the crop of wheat on any farm for which a penalty is determined shall be jointly and severally liable for the entire amount of the penalty.

(e) Wheat subject to a farm marketing quota may be carried over by the producer from one marketing year to the succeeding marketing year, and may be marketed without incurring a penalty under this section in the succeeding marketing year, to the extent that—

(1) the total quantity of wheat available for marketing from the farm in the marketing year from which the wheat is carried over does not exceed the farm marketing quota; or

(2) the total quantity of wheat available for marketing in the succeeding marketing year (including any quantity of wheat carried over) does not exceed the farm marketing quota for the succeeding marketing year.

(f) Wheat produced in a calendar year in which marketing quotas are in effect for the marketing year beginning therein shall be subject to such quotas even though it is marketed prior to the date on which such marketing year begins.

(g)(1) The Secretary shall require collection of the penalty provided for in this section on a proportion of each unit of wheat marketed from the farm equal to the proportion that the wheat available for marketing from the farm in excess of the farm marketing quota is of the total quantity of wheat available for marketing from the farm, if satisfactory proof is not furnished to the Secretary as to the disposition to be made of the excess wheat, in accordance with regulations issued by the Secretary, prior to the marketing of any wheat from the farm.

(2) All funds collected under this section during a marketing year shall be deposited in a special account established in the Treasury of the United States until the end of the next succeeding marketing year.

(3) On certification of the Secretary, there shall be paid out of such special account to a person designated by the Secretary the amount by which the penalty collected exceeds that amount of penalty due on wheat marketed in excess of the farm marketing quota for a farm.

(4) Such special account shall be administered by the Secretary.

(5) The basis for, the amount of, and the person entitled to receive a payment from such account, when determined in accordance with regulations prescribed by the Secretary, shall be final and conclusive.

(h) Until the amount of the penalty provided by this section is paid, a lien on—

> *(1) the wheat with respect to which such penalty is incurred; and*
>
> *(2) any subsequent wheat subject to marketing quotas in which the person liable for the payment of such penalty has an interest,*

shall be in effect in favor of the United States for the amount of the penalty.

(i) A person liable for the payment or collection of a penalty on any quantity of wheat shall be liable also for interest thereon from the date the penalty becomes due until the date of payment of such penalty at a rate per annum equal to the rate of interest that was charged the Commodity Credit Corporation by the Treasurer of the United States on the date such penalty became due.

(j)(1) If marketing quotas for wheat are not in effect for any marketing year, all previous marketing quotas applicable to wheat shall be terminated, effective as of the first day of such marketing year.

(2) Such termination shall not—

> *(A) abate any penalty previously incurred by a producer; or*
>
> *(B) relieve any buyer of the duty to remit penalties previously collected.*

REFERENDUM

SEC. 336. (a) If a national marketing quota for wheat for the marketing quota period is proclaimed, not later than August 1 of the calendar year preceding such period, the Secretary shall conduct, by mail ballot, a referendum of eligible producers to determine whether they favor or oppose marketing quotas for such period.

(b) Any producer who produced wheat on a farm during at least one of the crop years of the base period shall be eligible to vote in the referendum.

(c) Not later than 30 days after the conduct of such referendum, the Secretary shall proclaim the results of such referendum.

(d) If the Secretary determines that 60 percent or more of the producers voting in the referendum approve marketing quotas, the Secretary shall proclaim that marketing quotas will be in effect for the marketing quota period.

TRANSFER OF FARM MARKETING QUOTAS

SEC. 338. (a) Except as provided in subsection (b), farm marketing quotas shall not be transferable.

(b) In accordance with regulations prescribed by the Secretary for such purpose—

> *(1) the farm marketing quota for a farm for any marketing year, or any portion thereof, may be voluntarily surrendered to the Secretary by the producer; and*

(2) the Secretary may reallocate any farm marketing quotas so surrendered to other farms having farm marketing quotas on such basis as the Secretary may determine.

AGRICULTURAL ACT OF 1949

AN ACT To stabilize prices of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1949."

TITLE I—BASIC AGRICULTURAL COMMODITIES

* * * * * * *

(NOTE.—Section 107 is not applicable to the 1986 through 1989 crops of wheat.)

WHEAT PROGRAM

SEC. 107. Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crop—

(1) Price support for wheat accompanied by domestic certificates shall be at such level not less than 65 per centum or more than 90 per centum of the parity price therefor as the Secretary determines appropriate, taking into consideration the factors specified in section 401(b).

(2) Price support for wheat accompanied by export certificates shall be at such level not more than 90 per centum of the parity prices therefor as the Secretary determines appropriate, taking into consideration the factors specified in section 401(b).

(3) Price support for wheat not accompanied by marketing certificates shall be at such level, not in excess of 90 per centum of the parity price therefor as the Secretary determines appropriate, taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains.

(4) Price support shall be made available only to cooperators; and, if a commercial wheat-producing area is established for such crop, price support shall be made available only in the commercial wheat-producing area.

(5) Effective with respect to crops planted for harvest in the calendar year 1966 and any subsequent year, the level of price support for any crop of wheat for which a national marketing quota is not proclaimed or for which marketing quotas have been disapproved by producers shall be as provided in section 101.

(6) A "cooperator" with respect to any crop of wheat produced on a farm shall be a producer who (i) does not knowingly exceed (A) the farm acreage allotment for wheat on the farm or (B) except as the Secretary may by regulation prescribe, the farm acreage allotment for wheat on any other farm on which the producer shares in the production of wheat, and (ii) complies with the land-use requirements of section 339 of the Agricultural Adjustment Act of 1938, as amended, to the extent

prescribed by the Secretary. Effective with respect to crops planted for harvest in the calendar year 1966 and any subsequent year, if marketing quotas are not in effect for the crop of wheat, a "cooperator" with respect to any crop of wheat produced on a farm shall be a producer who does not knowingly exceed the farm acreage allotment for wheat. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty, but the producer shall not be eligible to receive price support on such marketing excess. No producer shall be deemed to have exceeded the farm acreage allotment for wheat on any other farm, if such farm is exempt from the marketing quota for such crop under section 335. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the production on the acreage in excess of the farm acreage allotment is stored pursuant to the provisions of section 379c(b), but the producer shall not be eligible to receive support on the wheat so stored.

* * * * * * *

SEC. 107D. Notwithstanding any other provision of law:

(a)(1) Except as provided in paragraphs (2) and (3), the Secretary shall make available to producers loans and purchases for each of the 1986 through 1989 crops of wheat at such level as the Secretary determines will maintain the competitive relationship of wheat to other grains in domestic and export markets after taking into consideration the cost of producing wheat, supply and demand conditions, and world prices for wheat.

(2) For any crop of wheat for which marketing quotas are in effect, the loan and purchase level determined under paragraph (1) shall not be less than the higher of—

(A) 75 percent of the national average cost of production per bushel of wheat, as determined by the Secretary, taking into consideration variable expenses, general farm overhead, taxes, insurance, interest, and capital replacement costs (but excluding residual returns for management and risk); or

(B) $3.55 per bushel.

(3)(A) Except as provided in subparagraph (B), for any crop of wheat for which marketing quotas are not in effect, the loan and purchase level determined under paragraph (1) shall—

(i) in the case of the 1986 crop of wheat, not be less than $3.00 per bushel; and

(ii) in the case of each of the 1987 through 1991 crops of wheat, not be less than 75 percent, nor more than 85 percent, of the simple average price received by producers of wheat, as determined by the Secretary, during the immediately preceding 5 marketing years, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period, except that the loan and purchase level for a crop determined under this clause may not be reduced by more than 5 percent from the level determined for the preceding crop.

(B)(i) Except as provided in clause (ii), if the Secretary determines that the average price of wheat received by producers in any marketing year is not more than 110 percent of the loan and purchase level for wheat for such marketing year, the Secretary may reduce the loan and purchase level for wheat for the next marketing year by the amount the Secretary determines necessary to maintain domestic and export markets for grain.

(ii) The loan and purchase level may not be reduced under clause (i) by more than 20 percent in any year.

(iii) Any reduction in the loan and purchase level for wheat under this subparagraph shall not be considered in determining the loan and purchase level for wheat for subsequent years.

(4)(A) The Secretary shall permit a producer to repay a loan made under paragraph (1) for a crop at a level that is the lesser of—

(i) the loan level determined for such crop; or

(ii) the higher of—

(I) 70 percent of such level;

(II) if the loan level for a crop was reduced under paragraph (3)(B), 70 percent of the loan level that would have been in effect but for the reduction under paragraph (3)(B); or

(III) the prevailing world marked price for wheat, as determined by the Secretary.

(B) The Secretary shall prescribe by regulation—

(i) a formula to define the prevailing world market price for wheat; and

(ii) a mechanism by which the Secretary shall announce periodically the prevailing world market price for wheat.

(5) For purposes of this section, the average price received by producers for the immediately preceding marketing year shall be based on the latest information available to the Secretary at the time of the determination.

(b)(1) The Secretary may, for each of the 1986 through 1991 crops of wheat, make payments available to producers who, although eligible to obtain a loan or purchase agreement under subsection (a), agree to forgo obtaining such loan or agreement in return for such payments.

(2)(A) A payment under this subsection shall be computed by multiplying—

(i) the loan payment rate; by

(ii) the quantity of wheat the producer is eligible to place under loan.

(B) For purposes of this subsection, the quantity of wheat eligible to be placed under loan may not exceed the product obtained by multiplying—

(i) the individual farm program acreage for the crop; by

(ii) the farm program payment yield established for the farm.

(3) For purposes of this subsection, the loan payment rate shall be the amount by which—

(i) the loan level determined for such crop under subsection (a); exceeds

(ii) the level at which a loan may be repaid under subsection (a)(4).

(c)(1)(A) The Secretary shall make available to producers payments for each of the 1986 through 1989 crops of wheat in an amount computed as provided in this subsection.

(B) Payments for any such crop of wheat shall be computed by multiplying—

(i) the payment rate; by

(ii) the individual farm program acreage for the crop; by

(iii) the farm program payment yield for the crop.

(C) Payments for any such crop for which marketing quotas are in effect shall not exceed an amount equal to the payment rate multiplied by the farm marketing quota.

(D)(i) Except as provided in clauses (ii) and (iii), if the producers on a farm reduce the acreage of wheat planted for harvest on the farm from the acreage base by at least the percentage recommended by the Secretary in the announcement of the national program acreage and such producers actually plant wheat or a nonprogram crop for harvest on at least 50 percent of the wheat acreage base of the farm (reduced by the percentage recommended by the Secretary)—

(I) any portion of the wheat acreage base of the farm determined in accordance with subsection (f)(2)(C) (reduced by the percentage recommended by the Secretary) that is devoted to conserving uses or nonprogram crops shall be considered as part of the individual farm program acreage;

(II) the producers shall be eligible for payments under this paragraph with respect to the acreage referred to in subclause (I); and

(III) any portion of the wheat acreage base of the farm that is devoted to conserving uses or nonprogram crops shall be considered to be planted to wheat.

(ii) If an acreage limitation program under subsection (f)(2) is in effect for a crop of wheat and the producers on a farm actually plant wheat or a nonprogram crop for harvest on at least 50 percent of the permitted wheat acreage of the farm (determined in accordance with subsection (f)(2)(A))—

(I) any portion of the permitted wheat acreage of the farm that is devoted to conserving uses or nonprogram crops shall be considered as part of the individual farm program acreage;

(II) the producers shall be eligible for payments under this paragraph with respect to the acreage referred to in subclause (I); and

(III) any portion of the wheat acreage base of the farm that is devoted to conserving uses or nonprogram crops shall be considered to be planted to wheat.

(iii) If a set-aside program under subsection (f)(3) is in effect for a crop of wheat, the Secretary has announced a limitation on the acreage planted to wheat in accordance with subsection (f)(3)(C), and the producers on a farm actually plant wheat or a nonprogram crop for harvest on at least 50 percent of the limited farm acreage (determined in accordance with subsection (f)(3)(C))—

(I) any portion of the limited farm acreage that is devoted to conserving uses or nonprogram crops shall be considered as part of the individual farm program acreage;

(II) the producers shall be eligible for payments under this paragraph with respect to the acreage referred to in subclause (I); and

(III) any portion of the wheat acreage base of the farm that is devoted to conserving uses or nonprogram crops shall be considered to be planted to wheat.

(E) The payment rate for wheat shall be the amount by which the established price for the crop of wheat exceeds the higher of—

(i) the national weighted average market price received by producers during the first 5 months of the marketing year for such crop, as determined by the Secretary; or

(ii) the loan level determined for such crop.

(F) For any crop of wheat for which marketing quotas are in effect, the established price shall not be less than the higher of—

(i) the national average cost of production per bushel of wheat, as determined by the Secretary under subsection (a)(2); or

(ii) $4.65 per bushel.

(G) For any crop of wheat for which marketing quotas are not in effect, the established price shall not be less than—

(i) $4.55 per bushel for any portion of the crop (as determined on the basis of the farm program acreage and the farm program payment yield) that does not exceed 20,000 bushels; and

(ii) $4.00 per bushel for any portion of the crop (so determined) that is more than 20,000 bushels.

(H) The total quantity of which payments would otherwise be payable to a producer on a farm for any crop under this paragraph shall be reduced by the quantity on which any disaster payment is made to the producer for the crop under paragraph (2).

(I) As used in this paragraph, the term "nonprogram crop" means any agricultural commodity other than wheat, feed grains, upland cotton, extra long staple cotton, rice, or soybeans.

(2)(A) Except as provided in subparagraph (C), if the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for wheat to wheat or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

(i) the number of acres so affected but not to exceed the acreage planted to wheat for harvest (including any acreage that the producers were prevented from planting to wheat or other nonconserving crops in lieu of wheat because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year; by

(ii) 75 percent of the farm program payment yield established by the Secretary; by

(iii) a payment rate equal to 33⅓ percent of the average of the established prices for the crop.

(B) Except as provided in subparagraph (C), if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of wheat that the producers are able to harvest on any farm is less than the result of multiplying 60 percent of the farm program payment yield established by the Secretary for such crop by the acre-

age planted for harvest for such crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 50 percent of the average of the established prices for the crop for the deficiency in production below 60 percent for the crop.

(C) Producers on a farm shall not be eligible for—

(i) prevented planting disaster payments under subparagraph (A), if prevented planting crop insurance is available to the producers under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) with respect to the wheat acreage of the producers; or

(ii) reduced yield disaster payments under subparagraph (B), if reduced yield crop insurance is available to the producers under such Act with respect to the wheat acreage of the producers.

(D)(i) Notwithstanding subparagraph (C), the Secretary may make a disaster payment to producers on a farm under this paragraph if the Secretary determines that—

(I) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers on a farm have suffered substantial losses of production either from being prevented from planting wheat or other nonconserving crops or from reduced yields;

(II) such losses have created an economic emergency for the producers;

(III) crop insurance indemnity payments under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) and other forms of assistance made available by the Federal Government to such producers for such losses are insufficient to alleviate such economic emergency; and

(IV) additional assistance must be made available to such producers to alleviate such economic emergency.

(ii) The Secretary may make such adjustments in the amount of payments made available under this subparagraph with respect to an individual farm so as to assure the equitable allotment of such payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

(d)(1)(A) For any crop of wheat for which marketing quotas are not in effect, the Secretary shall proclaim a national program acreage. The proclamation shall be made not later than July 1 of each calendar year for the crop harvested in the next succeeding calendar year, except that in the case of the 1986 crop, the proclamation shall be made as soon as practicable after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

(B) The Secretary may revise the national program acreage first proclaimed for any crop year for the purpose of determining the allocation factor under paragraph (2) if the Secretary determines it necessary based on the latest information. The Secretary shall proclaim such revised national program acreage as soon as it is made.

(C) The national program acreage for wheat shall be the number of harvested acres the Secretary determines (on the basis of the weighted national average of the farm program payment yields for the crop for which the determination is made) will produce the quantity (less imports) that the Secretary estimates will be utilized domestically and for export during the marketing year for such crop.

(D) If the Secretary determines that carryover stocks of wheat are excessive or an increase in stocks is needed to assure desirable carryover, the Secretary may adjust the national program acreage by the quantity the Secretary determines will accomplish the desired increase or decrease in carryover stocks.

(iii) The Secretary shall provide fair and equitable treatment for producers on farms on which the acreage of wheat planted for harvest is less than the acreage base established for the farm under subsection (f)(2), but for which the reduction is insufficient to exempt the farm from the application of the allocation factor.

(iv) In establishing the allocation factor for wheat, the Secretary may make such adjustment as the Secretary deems necessary to take into account the extent of exemption of farms under the foregoing provisions of this paragraph.

(B) For any crop of wheat for which marketing quotas are in effect, the individual farm program acreage shall be the acreage on the farm that the Secretary determines is sufficient to produce the quantity of wheat equal to the farm marketing quota established for the farm under section 334 of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1334).

(e)(1) The farm program payment yield for each crop of wheat shall be the yield established for the farm for the previous crop year, adjusted by the Secretary to provide a fair and equitable yield. If no payment yield for wheat was established for the farm in the previous crop year, the Secretary may determine such yield as the Secretary finds fair and reasonable.

(2) Notwithstanding paragraph (1)—

(A) in the determination of yields, the Secretary shall take into account the actual yields proved by the producer; and

(2) The Secretary shall determine a program allocation factor for each crop of wheat for which marketing quotas are not in effect. The allocation factor for wheat shall be determined by dividing the national program acreage for the crop by the number of acres that the Secretary estimates will be harvested for such crop, except that in no event shall the allocation factor for any crop of wheat be more than 100 percent nor less than 80 percent.

(3)(A)(i) The individual farm program acreage for each crop of wheat for which marketing quotas are not in effect shall be determined by multiplying the allocation factor by the acreage of wheat planted for harvest on the farms for which individual farm program acreages are required to be determined.

(ii) The individual farm program acreage shall not be further reduced by application of the allocation factor if the producers reduce the acreage of wheat planted for harvest on the farm from the acreage base established for the farm under subsection (f)(2) by at least the percentage recommended by the Secretary in the proclamation of the national program acreage.

(B) neither the actual yeilds nor the farm program payment yield established on the basis of such yields shall be reduced under other provisions of this subsection.

(3) If the Secretary determines it necessary, the Secretary may establish national, State, or county program payment yields on the basis of—

(A) historical yields, as adjusted by the Secretary to correct for abnormal factors affecting such yields in the historical period; or

(B) if such data are not available, on the Secretary's estimate of actual yields for the crop year involved.

(4) If national, State, or county program payment yields are established, the farm program payment yields shall balance to the national, State, or county program payment yields.

(f)(1)(A) Notwithstanding any other provision of this section, the Secretary may provide for any crop of wheat for which marketing quotas are not in effect either for an acreage limitation program as described in paragraph (2) or a set-aside program as described in paragraph (3) if the Secretary determines that the total supply of wheat, in the absence of such a program, will be excessive, taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency.

(B) In making a determination under paragraph (A), the Secretary shall take into consideration the number of acres placed in the conservation acreage reserve established under the Agriculture, Food, Trade, and Conservation Act of 1985.

(C) The Secretary shall announce any such wheat acreage limitation program or set-aside program not later than July 1 prior to the calendar year in which the crop is harvested, except that in the case of the 1986 crop, the Secretary shall announce such program as soon as practicable after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

(D) Not later than July 31 prior to the calendar year in which the crop is harvested, the Secretary may make adjustments in an announcement made under subparagraph (C) if the Secretary determines that there has been a significant change in the total supply of wheat since the earlier announcement.

(2)(A) If an acreage limitation program is announced under paragraph (1), the limitation on the acreage planted to wheat shall be achieved by applying a uniform percentage reduction (not to exceed 20 percent) to the acreage base for each wheat-producing farms.

(B) Producers who knowingly produce wheat in excess of the permitted wheat acreage for the farm shall be ineligible for wheat loans, purchases, and payments with respect to that farm.

(C)(i) For the purpose of determining any reduction required to be made for any year as the result of a limitation under this paragraph, the acreage base for any farm shall be the average acreage planted to wheat for harvest in the 5 crop years immediately preceding the year for which the determination is made.

(ii) For the purpose of clause (i), acreage planted to wheat for harvest shall include—

(I) any reduced acreage, set-aside acreage, and diverted acreage; and

(II) any acreage that producers were prevented from planting to wheat or other nonconserving crops in lieu of wheat because of drought, flood, or other natural disaster, or other condition beyond the control of the producers.

(iii) The Secretary may make adjustments to reflect established crop-rotation practices and to reflect such other factors as the Secretary determines should be considered in determining a fair and equitable base.

(D)(i) A number of acres on the farm determined by dividing—

(I) the product obtained by multiplying the number of acres required to be withdrawn from the production of wheat times the number of acres actually planted to such commodity; by

(II) the number of acres authorized to be planted to such commodity under the limitation established by the Secretary

shall be devoted to conservation uses, in accordance with regulations issued by the Secretary.

(ii) The number of acres so determined is hereafter in this subsection referred to as "reduced acreage".

(E) If an acreage limitation program is announced under paragraph (1) for a crop of wheat, subsection (d) shall not be applicable to such crop, including any prior announcement that may have been made under such subsection with respect to such crop. The individual farm program acreage shall be the acreage planted on the farm to wheat for harvest within the permitted wheat acreage for the farm as established under this paragraph.

(3)(A) If a set-aside program is announced under paragraph (1), then as a condition of eligibility for loans, purchases, and payments authorized by this section (except as provided in subsection (g)), the producers on a farm must—

(i) set aside and devote to conservation uses an acreage of cropland equal to a specified percentage (not to exceed 20 percent) of the acreage of wheat planted for harvest for the crop for which the set-aside is in effect; and

(ii) otherwise comply with such program.

(B) The set-aside acreage shall be devoted to conservation uses, in accordance with regulations issued by the Secretary.

(C) If a set-aside program is established, the Secretary may limit the acreage planted to wheat. Such limitation shall be applied on a uniform basis to all wheat-producing farms.

(D) The Secretary may make such adjustments in individual set-aside acreages under this section as the Secretary determines necessary—

(i) to correct for abnormal factors affecting production; and

(ii) to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, topography, and such other factors as the Secretary determines necessary.

(4)(A) The regulations issued by the Secretary under paragraphs (2) and (3) with respect to acreage required to be devoted to conservation uses shall assure protection of such acreage from weeds and wind and water erosion.

(B) Subject to subparagraph (C), the Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of such acreage to be devoted to sweet sorghum, hay and grazing, or the productiopn of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodity, if the Secretary determines that such production is needed to provide an adequate supply of such com-

modities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

(C)(i) Except as provided in clause (ii), the Secretary shall permit, at the request of the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for a State and subject to such terms and conditions as the Secretary may prescribe, all or any part of such acreage diverted from production by participating producers in such State to be devoted to—

(I) in the case of the 1986 crop of wheat, hay and grazing; and

(II) in the case of each of the 1987 through 1991 crops of wheat, grazing.

(ii) Haying and grazing shall not be permitted for any crop of wheat under clause (i) during any 5-consecutive-month period that is established for such crop for a State by the State committee established under section 8(b) of such Act.

(D) In determining the quantity of land to be devoted to conservation uses under an acreage limitation or set-aside program with respect to land that has been farmed under summer fallow practices, as defined by the Secretary, the Secretary shall consider the effects of soil erosion and such other factors as the Secretary considers appropriate.

(5)(A) The Secretary may make land diversion payments to producers of wheat, whether or not an acreage limitation program, set-aside program, or marketing quotas for wheat is in effect, if the Secretary determines that such land diversion payments are necessary to assist in adjusting the total national acreage of wheat to desirable goals. Such land diversion payments shall be made to producers who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in accordance with land diversion contracts entered into by the Secretary with such producers.

(B) The amounts payable to producers under land diversion contracts may be determined through the submission of bids for such contracts by producers in such manner as the Secretary may prescribe or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

(C) The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to affect adversely the economy of the county or local community.

(6)(A) Any reduced acreage, set-aside acreage and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies.

(B) The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of subparagraph (A).

(C) The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm, as the Secretary may prescribe, by the general public,

for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(7)(A) An operator of a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for such participation not later than such date as the Secretary may prescribe.

(B) The Secretary may, by mutual agreement with producers on a farm, terminate or modify any such agreement if the Secretary determines such action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities.

(g)(1) The Secretary may, for each of the 1986 through 1991 crops of wheat, make payments available to producers who meet the requirements of this section.

(2) Such payments shall be—

(A) made in the form of wheat owned by the Commodity Credit Corporation; and

(B) subject to the availability of such wheat.

(3)(A) Payments under this subsection shall be determined in the same manner as provided in subsection (b).

(B) The quantity of wheat to be made available to a producer under this subsection shall be equal in value to the payments so determined under such subsection.

(4) A producer shall be eligible to receive a payment under this subsection for a crop if the producer—

(A) agrees to forgo obtaining a loan or purchase agreement under subsection (a);

(B) agrees to forgo receiving payments under subsection (c);

(C) does not plant wheat for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production under subsection (f); and

(D) otherwise complies with this section.

(h)(1) If the failure of a producer to comply fully with the terms and conditions of the program conducted under this section precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make such loans, purchases, and payments in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure.

(2) The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) to waive or modify deadlines and other program requirements in case in which lateness or failure to meet such other requirements does not affect adversely the operation of the program.

(i) The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

(j) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(k) The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) (relating to assignment of payments) shall apply to payments under this section.

(l) The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis.

(m) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

TITLE V—FEED GRAINS

AGRICULTURAL ACT OF 1949

AN ACT To stabilize prices of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1949."

TITLE I—BASIC AGRICULTURAL COMMODITIES

(Note.—Section 105 is not applicable to the 1986 through 1989 crops of feed grains.)

FEED GRAIN PROGRAM

SEC. 105. (a) Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crop, price support shall be made available to producers for each crop of corn at such level, not less than 50 per centum or more than 90 per centum of the parity price therefor, as the Secretary determines will not result in increasing Commodity Credit Corporation stocks of corn: *Provided,* That in the case of any crop for which an acreage diversion program is in effect for feed grains, the level of price support for corn of such crop shall be at such level not less than 65 per centum or more than 90 per centum of the parity price therefor as the Secretary determines necessary to achieve the acreage reduction goal established by him for the crop.

(b) Beginning with the 1959 crop, price support shall be made available to producers for each crop of oats, rye, barley, and grain sorghums at such level of the parity price therefor as the Secretary of Agriculture determines is fair and reasonable in relation to the level at which price support is made available for corn, taking into consideration the feeding value of such commodity in relation to corn and the other factors set forth in section 401(b) hereof.

* * * * * * *

SEC. 105C. Notwithstanding any other provision of law:

(a)(1)(A) Except as provided in subparagraphs (B) and (C), the Secretary shall make available to producers loans and purchases for each of the 1986 through 1989 crops of corn at such level as the Secretary determines will encourage the exportation of feed grains and not result in excessive total stocks of feed grains after taking into consideration the cost of producing corn, supply and demand conditions, and world prices for corn.

(B) Except as provided in subparagraph (C), the loan and purchase level determined under subparagraph (A) shall—

(i) in the case of the 1986 crop of corn, not be less than $2.40 per bushel; and

(ii) in the case of each of the 1987 through 1989 crops of corn, not be less than 75 percent, nor more than 85 percent, or the simple average price received by producers of corn, as determined by the Secretary, during the immediately preceding 5

marketing years, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period, except that the loan and purchase level for a crop determined under this clause may not be reduced by more than 5 percent from the level determined for the preceding crop.

(C)(i) Except as provided in clause (ii), if the Secretary determines that the average price of corn received by producers in any marketing year is not more than 110 percent of the loan and purchase level for corn for such marketing year, the Secretary may reduce the loan and purchase level for corn for the next marketing year by the amount the Secretary determines necessary to maintain domestic and export markets for grain.

(ii) The loan and purchase level may not be reduced under clause (i) by more than 20 percent in any year.

(iii) Any reduction in the loan and purchase level for corn under this subparagraph shall not be considered in determining the loan and purchase level for corn for subsequent years.

(D)(i) The Secretary shall permit a producer to repay a loan made under this paragraph or paragraph (2) for a feed grain crop at a level that is the lesser of—

(I) the loan level determined for such crop; or

(II) the higher of—

(aa) 70 percent of the loan level determined for such crop;

(bb) if the loan level for a crop was reduced under subparagraph (C), 70 percent of the loan level that would have been in effect but for the reduction under subparagraph (C); or

(cc) the prevailing world market price for such feed grain, as determined by the Secretary.

(ii) The Secretary shall prescribe by regulation—

(I) a formula to define the prevailing world market price for feed grains; and

(II) a mechanism by which the Secretary shall announce periodically the prevailing world market price for feed grains.

(E) For purposes of this section, the average price received by producers for the immediately preceding marketing year shall be based on the latest information available to the Secretary at the time of the determination.

(2) The Secretary shall make available to producers loans and purchases for each of the 1986 through 1991 crops of grain sorghums, barley, oats, and rye, respectively, at such level as the Secretary determines is fair and reasonable in relation to the level that loans and purchases are made available for corn, taking into consideration the feeding value of such commodity in relation to corn and other factors specified in section 401(b).

(b)(1) The Secretary may, for each of the 1986 through 1989 crops of corn, grain sorghums, barley, oats, and rye, make payments available to producers who, although eligible to obtain a loan or purchase agreement under subsection (a), agree to forego obtaining such loan or agreement in return for such payments.

(2)(A) A payment under this subsection shall be computed by multiplying—

(i) the loan payment rate; by

(ii) the quantity of such feed grains the producer is eligible to place under loan.

(B) For purposes of this subsection, the quantity of feed grains eligible to be placed under loan may not exceed the product obtained by multiplying—

(i) the individual farm program acreage for the crop; by

(ii) the farm program payment yield established for the farm.

(3) For purposes of this subsection, the loan payment rate shall be the amount by which—

(i) the loan level determined for such crop under subsection (a); exceeds

(ii) the level at which a loan may be repaid under subsection (a)(1)(D).

(c)(1)(A) The Secretary shall make available to producers payments for each of the 1986 through 1989 crops of corn, grain sorghums, oats, and, if designated by the Secretary, barley, in an amount computed as provided in this subsection.

(B) Payments for any such crop of feed grains shall be computed by multiplying—

(i) the payment rate; by

(ii) the individual farm program acreage for the crop; by

(iii) the farm program payment yield for the crop.

(C)(i) Except as provided in clauses (ii) and (iii), if the producers on a farm reduce the acreage of feed grains planted for harvest on the farm from the acreage base by at least the percentage recommended by the Secretary in the announcement of the national program acreage and such producers actually plant feed grains or a nonprogram crop for harvest on at least 50 percent of the feed grain acreage base of the farm (reduced by the percentage recommended by the Secretary)—

(I) any portion of the feed grain acreage base of the farm determined in accordance with subsection (f)(2)(D) (reduced by the percentage recommended by the Secretary) that is devoted to conserving uses or nonprogram crops, shall be considered as part of the individual farm program acreage;

(II) the producers shall be eligible for payments under this paragraph with respect to the acreage referred to in subclause (I); and

(III) any portion of the feed grain acreage base of the farm that is devoted to conserving uses or nonprogram crops shall be considered to be planted to feed grains.

(ii) If an acreage limitation program under subsection (f)(2) is in effect for a crop of feed grains and the producers on a farm actually plant feed grains or a nonprogram crop for harvest on at least 50 percent of the permitted feed grain acreage of the farm (determined in accordance with subsection (f)(2)(A))—

(I) any portion of the permitted feed grain acreage of the farm that is devoted to conserving uses or nonprogram crops shall be considered as part of the individual farm program acreage;

(II) the producers shall be eligible for payments under this paragraph with respect to the acreage referred to in subclause (I); and

(III) any portion of the feed grain acreage base of the farm that is devoted to conserving uses or nonprogram crops shall be considered to be planted to feed grains.

(iii) If a set-aside program under subsection (f)(3) is in effect for a crop of feed grains, the Secretary has announced a limitation on the acreage planted to feed grains in accordance with subsection (f)(3)(C), and the producers on a farm actually plant feed grains or a nonprogram crop for harvest on at least 50 percent of the limited farm acreage (determined in accordance with subsection (f)(3)(C))—

(I) any portion of the limited farm acreage that is devoted to conserving uses or nonprogram crops shall be considered as part of the individual farm program acreage;

(II) the producers shall be eligible for payments under this paragraph with respect to the acreage referred to in subclause (I); and

(III) any portion of the feed grain acreage base of the farm that is devoted to conserving uses or nonprogram crops shall be considered to be planted to feed grains.

(D) The payment rate for corn shall be the amount by which the established price for the crop of corn exceeds the higher of—

(i) the national weighted average market price received by producers during the first 5 months of the marketing year for such crop, as determined by the Secretary; or

(ii) the loan level determined for such crop.

(E) The established price for corn shall not be less than $3.03 per bushel.

(F) The payment rate for grain sorghums, oats, and, if designated by the Secretary, barley, shall be such rate as the Secretary determines is fair and reasonable in relation to the rate at which payments are made available for corn.

(G) The total quantity on which payments would otherwise be payable to a producer on a farm for any crop under this paragraph shall be reduced by the quantity on which any disaster payment is made to the producer for the crop under paragraph (2).

(H) As used in this paragraph, the term "nonprogram crop" means any agricultural commodity other than wheat, feed grains, upland cotton, extra long staple cotton, rice, or soybeans.

(2)(A) Except as provided in subparagraph (C), if the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for feed grains to feed grains or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

(i) the number of acres so affected but not to exceed the acreage planted to feed grains for harvest (including any acreage that the producers were prevented from planting to feed grains or other nonconserving crops in lieu of feed grains because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year; by

(ii) 75 percent of the farm program payment yield established by the Secretary; by

(iii) a payment rate equal to 33⅓ percent of the established price for the crop.

(B) Except as provided in subparagraph (C), if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of feed grains that the producers are able to harvest on any farm is less than the result of multiplying 60 percent of the farm program payment yield established by the Secretary for such crop by the acreage planted for harvest for such crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 50 percent of the established price for the crop for the deficiency in production below 60 percent for the crop.

(C) Producers on a farm shall not be eligible for—

(i) prevented planting disaster payments under subparagraph (A), if prevented planting crop insurance is available to the producers under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) with respect to the feed grain acreage of the producers; or

(ii) reduced yield disaster payments under subparagraph (B), if reduced yield crop insurance is available to the producers under such Act with respect to the feed grain acreage of the producers.

(D)(i) Notwithstanding subparagraph (C), the Secretary may make a disaster payment to the producers on a farm under this paragraph if the Secretary determines that—

(I) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers on a farm have suffered substantial losses of production either from being prevented from planting feed grains or other nonconserving crops or from reduced yields;

(II) such losses have created an economic emergency for the producers;

(III) crop insurance indemnity payments under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) and other forms of assistance made available by the Federal Government to such producers for such losses are insufficient to alleviate such economic emergency; and

(IV) additional assistance must be made available to such producers to alleviate such economic emergency.

(ii) The Secretary may make such adjustments in the amount of payments made available under this subparagraph with respect to an individual farm so as to assure the equitable allotment of such payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

(d)(1)(A) The Secretary shall proclaim a national program acreage for each of the 1986 through 1989 crops of feed grains. The proclamation shall be made not later than November 15 of each calendar year for the crop harvested in the next succeeding calendar year, except that in the case of the 1986 crop, the proclamation shall be made as soon as practicable after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

(B) The Secretary may revise the national program acreage first proclaimed for any crop year for the purpose of determining the allocation factor under paragraph (2) if the Secretary determines it

necessary based on the latest information. The Secretary shall proclaim such revised national program acreage as soon as it is made.

(C) The national program acreage for feed grains shall be the number of harvested acres the Secretary determines (on the basis of the weighted national average of the farm program payment yields for the crop for which the determination is made) will produce the quantity (less imports) that the Secretary estimates will be utilized domestically and for export during the marketing year for such crop.

(D) If the Secretary determines that carryover stocks of feed grains are excessive or an increase in stocks is needed to assure desirable carryover, the Secretary may adjust the national program acreage by the quantity the Secretary determines will accomplish the desired increase or decrease in carryover stocks.

(2) The Secretary shall determines a program allocation factor for each crop of feed grains. The allocation factor for feed grains shall be determined by dividing the national program acreage for the crop by the number of acres that the Secretary estimates will be harvested for such crop, except that in no event shall the allocation factor for any crop of feed grains be more than 100 percent nor less than 80 percent.

(3)(A) The individual farm program acreage for each crop of feed grains shall be determined by multiplying the allocation factor by the acreage of feed grains planted for harvest on the farms for which individual farm program acreages are required to be determined.

(B) The individual farm program acrage shall not be further reduced by application of the allocation factor if the producers reduce the acreage of feed grains planted for harvest on the farm from the acreage base established for the farm under subsection (f)(2) by at least the percentage recommended by the Secretary in the proclamation of the national program acreage.

(C) The Secretary shall provide fair and equitable treatment for producers on farms on which the acreage of feed grains planted for harvest is less than the acreage base established for the farm under subsection (f)(2), but for which the reduction is insufficient to exempt the farm from the application of the allocation factor.

(D) In establishing the allocation factor for feed grains, the Secretary may make such adjustment as the Secretary deems necessary to take into account the extent of exemption of farms under the foregoing provisions of this paragraph.

(e)(1) The farm program payment yield for each crop of feed grains shall be the yield established for the farm for the previous crop year, adjusted by the Secretary to provide a fair and equitable yield. If no payment yield for feed grains was established for the farm in the previous crop year, the Secretary may determine such yield as the Secretary finds fair and reasonable.

(2) Notwithstanding paragraph (1)—

(A) in the determination of yields, the Secretary shall take into account the actual yields proved by the producer; and

(B) neither the actual yields nor the farm program payment yield established on the basis of such yields shall be reduced under other provisions of this subsection.

(3) If the Secretary determines it necessary, the Secretary may establish national, State, or county program payment yields on the basis of—

(A) historical yields, as adjusted by the Secretary to correct for abnormal factors affecting such yields in the historical period; or

(B) if such data are not available, on the Secretary's estimate of actual yields for the crop year involved.

(4) If national, State or country program payment yields are established, the farm program payment yields shall balance to the national, State or county program payment yields.

(f)(1)(A) Notwithstanding any other provision of this section, the Secretary may provide for any crop either for an acreage limitation program as described in paragraph (2) or a set-aside program as described in paragraph (3) of the Secretary determines that the total supply of feed grains, in the absence of such a program, will be excessive, taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency.

(B) In making a determination under subparagraph (A), the Secretary shall take into consideration the number of acres placed in the conservation acreage reserve established under the Agriculture, Food, Trade, and Conservation Act of 1985.

(C) The Secretary shall announce any such feed grain acreage limitation program or set-aside program not later than November 15 prior to the calendar year in which the crop is harvested, except that in the case of the 1986 crop, the Secretary shall announce such program as soon as practicable after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

(2)(A) If an acreage limitation program is announced under paragraph (1), the limitation on the acreage planted to feed grains shall be achieved by applying a uniform percentage reduction (not to exceed 15 percent) to the acreage base for each feed grain-producing farm.

(B) Producers who knowingly produce feed grains in excess of the permitted feed grain acreage for the farm shall be ineligible for feed grain loss, purchases, and payments with respect to that farm.

(C) The Secretary may provide that no producer of malting barley shall be required as a condition of eligibility for feed grain loans, purchases, and payments to comply with any acreage limitation under this paragraph if such producer has previously produced a malting variety of barley, plants barley only of an acceptable malting variety for harvest, and meets such other conditions as the Secretary may prescribe.

(D)(i) For the purpose of determining any reduction required to be made for any year as a result of a limitation under this paragraph, the acreage base for any farm shall be the average acreage planted to feed grains for harvest in the 5 crop years immediately preceding the year for which the determination is made.

(ii) For the purpose of clause (i), acreage planted to feed grains for harvest shall include—

(I) any reduced acreage, set-aside acreage, and diverted acreage, and

(II) any acreage that producers were prevented from planting to feed grains or other nonconserving crops in lieu of feed grains because of drought, flood, or other natural disaster, or other condition beyond the control of the producers.

(iii) The Secretary may make adjustments to reflect established crop-rotation practices and to reflect such other factors as the Secretary determines should be considered in determining a fair and equitable base.

(E)(i) A number of acres on the farm determined by dividing—

(I) the product obtained by multiplying the number of acres required to be withdrawn from the production of feed grains times the number of acres actually planted to such commodity; by

(II) the number of acres authorized to be planted to such commodity under the limitation established by the Secretary,

shall be devoted to conservation uses, in accordance with regulations issued by the Secretary.

(ii) The number of acres so determined is hereafter in this subsection referred to as "reduced acreage".

(F) If an acreage limitation program is announced under paragraph (1) for a crop of feed grains, subsection (d) shall not be applicable to such crop, including any prior announcement that may have been made under such subsection with respect to such crop. The individual farm program acreage shall be the acreage planted on the farm to feed grains for harvest within the permitted feed grain acreage for the farm as established under this paragraph.

(3)(A) If a set-aside program is announced under paragraph (1), then as a condition of eligiblity for loans, purchases, and payments authorized by this section (except as provided in subsection (g)), the producers on a farm must—

(i) set aside and devote to conservation uses an acreage of cropland equal to a specified percentage (not to exceed 15 percent) of the acreage of feed grains planted for harvest for the crop for which the set-aside is in effect; and

(ii) otherwise comply with such program.

(B) The set-aside acreage shall be devoted to conservation uses, in accordance with regulations issued by the Secretary.

(C) If a set-aside program is established, the Secretary may limit the acreage planted to feed grains. Such limitation shall be applied on a uniform basis to all feed grain-producing farms.

(D) The Secretary may make such adjustments in individual set-aside acreages under this section as the Secretary determines necessary—

(i) to correct for abnormal factors affecting production; and

(ii) to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, topography, and such other factors as the Secretary determines necessary.

(4)(A) The regulations issued by the Secretary under paragraphs (2) and (3) with respect to acreage required to be devoted to conservation uses shall assure protection of such acreage from weeds and wind and water erosion.

(B) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of such acreage

to be devoted to sweet sorghum, hay and grazing or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodity, if the Secretary determines that such production is needed to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

(5)(A) The Secretary may make land diversion payments to producers of feed grains, whether or not an acreage limitation or set-aside program for feed grains is in effect, if the Secretary determines that such land diversion payments are necessary to assist in adjusting the total national acreage of feed grains to desirable goals. Such land diversion payments shall be made to producers who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in accordance with land diversion contracts entered into by the Secretary with such producers.

(B) The amounts payable to producers under land diversion contracts may be determined through the submission of bids for such contracts by producers in such manner as the Secretary may prescribe or such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

(C) The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to affect adversely the economy of the county or local community.

(6)(A) Any reduced acreage, set-aside acreage, and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies.

(B) The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of subparagraph (A).

(C) The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm, as the Secretary may prescribe, by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(7)(A) An operator of a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for such participation not later than such date as the Secretary may prescribe.

(B) The Secretary may, by mutual agreement with producers on a farm, terminate to modify any such agreement if the Secretary determines such action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities.

(g)(1) The Secretary may, for each of the 1986 through 1989 crops of corn, grain sorghums, oats, and, if designated by the Secretary, barley, make payments available to producers who meet the requirements of this section.

(2) Such payments shall be—

(A) made in the form of such feed grains, respectively, owned by the Commodity Credit Corporation; and

(B) subject to the availability of such feed grains.

(3)(A) Payments under this subsection shall be determined in the same manner as provided in subsection (b).

(B) The quantity of feed grains to be made available to a producer under this subsection shall be equal in value to the payments so determined under such subsection.

(4) A producer shall be eligible to receive a payment under this subsection from a crop if the producer—

(A) agrees to forgo obtaining a loan or purchase agreement under subsection (a);

(B) agrees to forgo receiving payments under subsection (c);

(C) does not plant feed grains for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production under subsection (f); and

(D) otherwise complies with this section.

(h)(1) If the failure of a producer to comply fully with the terms and conditions of the program conducted under this section precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make such loans, purchases, and payments in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure.

(2) The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C 590h(b)) to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet such other requirements does not affect adversely the operation of the program.

(i) The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

(j) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(k) The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) (relating to assignment of payments) shall apply to payments under this section.

(l) The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis.

(m) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

TITLE VI—COTTON

AGRICULTURAL ADJUSTMENT ACT OF 1938

AN ACT To provide for the conservation of national soil resources and to provide an adequate and balanced flow of agricultural commodities in interstate and foreign commerce and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Adjustment Act of 1938."

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TITLE III—LOANS, PARITY PAYMENTS, CONSUMER SAFEGUARDS, MARKETING QUOTAS, AND MARKETING CERTIFICATES

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PART IV—MARKETING QUOTAS—COTTON

(Note.—Section 342 is not applicable to the 1986 through 1989 crops of upland cotton.)

NATIONAL MARKETING QUOTA

SEC. 342. Whenever during any calendar year the Secretary determines that the total supply of cotton for the marketing year beginning in such calendar year will exceed the normal supply for such marketing year, the Secretary shall proclaim such fact and a national marketing quota shall be in effect for the crop of cotton produced in the next calendar year. The Secretary shall also determine and specify in such proclamation the amount of the national marketing quota in terms of the number of bales of cotton (standard bales of five hundred pounds gross weight) adequate, together with (1) the estimated carryover at the beginning of the marketing year which begins in the next calendar year and (2) the estimated imports during such marketing year, to make available a normal supply of cotton: *Provided,* That beginning with the 1961 crop, the national marketing quota shall be not less than a number of bales equal to the estimated domestic consumption and estimated exports (less estimated imports) for the marketing year for which the quota is proclaimed, except that the Secretary shall make such adjustments in the amount of such quota as he determines necessary after taking into consideration the estimated stocks of cotton in the United States (including the qualities of such stocks) and stocks in foreign countries which would be available for the marketing year for which the quota is being proclaimed if no adjustment of such quota is made hereunder, to assure the maintenance of adequate but not excessive stocks in the United States to provide a continuous and stable supply of the different qualities of cotton needed in the United States and in foreign cotton consuming countries, and for purposes of national security; but the Secretary, in making such adjustments, may not reduce the national marketing quota for any year below (i) one million bales less than the estimated domestic consumption and estimated exports for the marketing year for which such quota is being proclaimed, or (ii) ten million bales, whichever is larger. Such proclamation shall be made not later than October 15 of the calendar year in which such determination is made.

Notwithstanding any other provision of this Act, the national marketing quota for upland cotton for 1959 and subsequent years shall be not less than the number of bales required to provide a national acreage allotment for each such year of sixteen million acres.

(Note.—Section 343 is not applicable to the 1986 through 1989 crops of upland cotton.)

REFERENDUM

SEC. 343. Not later than December 15 following the issuance of the marketing quota proclamation provided for in section 342, the Secretary shall conduct a referendum, by secret ballot, of farmers engaged in the production of cotton in the calendar year in which the referendum is held, to determine whether such farmers are in favor of or opposed to the quota so proclaimed: *Provided,* That if more than one-third of the farmers voting in the referendum oppose the national marketing quota, such quota shall become ineffective upon proclamation of the results of the referendum. The Secretary shall proclaim the results of any referendum held hereunder within thrity days after the date of the referendum.

(Note.—Section 344 is not applicable to the 1986 through 1989 crops of upland cotton.)

ACREAGE ALLOTMENTS

SEC. 344. (a) Whenever a national marketing quota is proclaimed under section 342, the Secretary shall determine and proclaim a national acreage allotment for the crop of cotton to be produced in the next calendar year. The national acreage allotment for cotton shall be that acreage, based upon the national average yield per acre of cotton for the four years immediately preceding the calendar year in which the national marketing quota is proclaimed, required to make available from such crop an amount of cotton equal to the national marketing quota.

(b) The national acreage allotment for cotton for 1953 and subsequent years shall be apportioned to the States on the basis of the acreage planted to cotton (including the acreages regarded as having been planted to cotton under the provisions of Public Law 12, Seventy-ninth Congress) during the five calendar years immediately preceding the calendar year in which the national marketing quota is proclaimed, with adjustments for abnormal weather conditions during such period: *Provided,* That there is hereby established a national acreage reserve consisting of three hundred and ten thousand acres which shall be in addition to the national acreage allotment; and such reserve shall be apportioned to the States on the basis of their needs for additional acreage for establishing minimum farm allotments under subsection (f)(1), as determined by the Secretary without regard to State and county acreage reserves (except that the amount apportioned to Nevada shall be one thousand acres). For the 1960 and succeeding crops of cotton, the needs of States (other than Nevada) for such additional acreage, for such purpose may be estimated by the Secretary, after taking into consideration such needs as determined or estimated for the preceding crop of cotton and the size of the national acreage allotment for such crop. The additonal acreage so apportioned to the State shall be apportioned to the counties on the basis of the needs of the counties for such additional acreage for such purpose, and added to the county acreage allotment for apportionment to farms pursuant to subsection (f) of this section (except that no part of such additional acreage shall be used to increase the county reserve about 15 per centum of the county allotment determined without regard to such additional acreage). Additional acreage apportioned to a State for any year under the foregoing proviso shall not be taken into account in establishing future State acreage allotments. Needs for additional acreage under the foregoing provisions and under the last proviso in subsection (e) shall be determined or estimated as though allotments were first computed without regard to subsection (f)(1).

(e) The State acreage allotment for cotton shall be apportioned to counties on the same basis as to years and conditions as is applicable to the State under subsections (b), (c), and (d) of this section: *Provided,* That the State committee may reserve not to exceed 10 per centum of its State acreage allotment (15 per centum if the State's 1948 planted acreage was in excess of one million acreas and less than half its 1943 allotment) which shall be used to make adjustments in county allotments for trends in acreage, for counties adversely affected by abnormal conditions affecting plantings, or for small or new farms, or to correct inequities in farm allotments and to prevent hardship: *Provided further,* That if the additional acreage allocated to a State under the proviso in subsection (b) is less than the requirements as determined or estimated by the Secretary for establishing minimum farm allotments for the State under subsection (f)(1), the acreage reserved under this subsection shall not be less than the smaller of (1) the remaining acreage so determined or estimated to be required for establishing minimum farm allotments or (2) 3 per centum of the State acreage allotment; and the acreage which is required to be reserved under this proviso shall be allocated to counties on the basis of their needs for additional acreage for establishing minimum farm allotments under subsection (f)(1), and added to the county acreage allotment for apportionment to farms pursuant to subsection (f) of this section (except that no part of such additional acreage shall be used to increase the county reserve above 15 per centum of the county allotment determined without regard to such additional acreages).

(f) The county acreage allotment, less not to exceed the percentage provided for in paragraph (3) of this subsection shall be apportioned to farms on which cotton has been planted (or regarded as having been planted under the provisions of Public Law 12, Seventy-ninth Congress) in any one of the three years immediately preceding the year for which such allotment is determined on the following basis:

(1) Insofar as such acreage is available, there shall be allotted the smaller of the following: (A) ten acres; or (B) the acreage allotment established for the farm for the 1958 crop.

(2) The remainder shall be allotted to farms other than farms to which an allotment has been made under paragraph (1)(B) so that the allotment to each farm under this paragraph together with the amount of the allotment to such farm under paragraph (1)(A) shall be a prescribed percentage (which percentage shall be the same for all such farms in the county or administrative area) of the acreage, during the preceding year, on the farm which is tilled annually or in regular rotation, excluding from such acreages the acres devoted to the production of sugarcane for sugar; sugar beets for sugar; wheat, tobacco, or rice for market; peanuts picked and threshed; wheat or rice for feeding to livestock for market; or lands determined to be

devoted primarily to orchards or vineyards, and nonirrigated lands in irrigated areas; *Provided, however,* That if a farm would be allotted under this paragraph an acreage together with the amount of the allotment to such farm under paragraph (1)(A) in excess of the largest acreage planted, (and regarded as planted under Public Law 12, Seventy-ninth Congress) to cotton during any of the preceding three years, the acreage allotment for such farm shall not exceed such largest acreage so planted (and regarded as planted under Public Law 12, Seventy-ninth Congress) in any such year.

(3) The county committee may reserve not in excess of 15 per centum of the county allotment which, in addition to the acreage made available under the proviso in subsection (e), shall be used for (A) establishing allotments for farms on which cotton was not planted (or regarded as planted under Public Law 12, Seventy-ninth Congress) during any of the three calendar years immediately preceding the year for which the allotment is made, on the basis of land, labor, and equipment available for the production of cotton, crop-rotation practices, and the soil and other physical facilities affecting the production of cotton; and (B) making adjustments of the farm acreage allotments established under paragraphs (1) and (2) of this subsection so as to establish allotments which are fair and reasonable in relation to the factors set forth in this paragraph and abnormal conditions of production on such farms, or in making adjustments in farm acreage allotments to correct inequities and to prevent hardship: *Provided,* That not less than 20 per centum of the acreage reserved under this subsection shall, to the extent required, be allotted upon such basis as the Secretary deems fair and reasonable to farms (other than farms to which an allotment has been made under subsection (f)(1)(B), if any, to which an allotment of not exceeding fifteen acres may be made under other provisions of this subsection.

(6) Notwithstanding the provisions of paragraph (2) of this subsection, if the county committee recommends such action and the Secretary determines that such action will result in a more equitable distribution of the county allotment among farms in the county, the remainder of the county acreage allotment (after making allotments as provided in paragraph (1) of this subsection) shall be allotted to farms other than farms to which an allotment has been made under paragraph (1)(B) of this subsection so that the allotment to each farm under this paragraph together with the amount of the allotment of such farm under paragraph (1)(A) of this subsection shall be a prescribed percentage (which percentage shall be the same for all such farms in the county) of the average acreage planted to cotton on the farm during the three years immediately preceding the year for which such allotment is determined, adjusted as may be necessary for abnormal conditions affecting plantings during such three-year period: *Provided,* That the county committee may in its discretion limit any farm acreage allotment established under the provisions of this paragraph for any year to an acreage not in excess of 50 per centum of the cropland on the farm, as determined pursuant to the provi-

sions of paragraph (2) of this subsection: *Provided further,* That any part of the county acreage allotment not apportioned under this paragraph by reason of the initial application of such 50 per centum limitation shall be added to the county acreage reserve under paragraph (3) of this subsection and shall be available for the purposes specified therein. If the county acreage allotment is apportioned among the farms of the county in accordance with the provisions of this paragraph, the acreage reserved under paragraph (3) of this subsection may be used to make adjustments so as to establish allotments which are fair and reasonable to farms receiving allotments under this paragraph in relation to the factors set forth in paragraph (3).

(7)(A) In the event that any farm acreage allotment is less than that prescribed by paragraph (1), such acreage allotment shall be increased to the acreage prescribed by paragraph (1). The additional acreage required to be allotted to farms under this paragraph shall be in addition to the county, State, and national acreage allotments and the production from such acreage shall be in addition to the national marketing quota.

(B) Notwithstanding any other provision of law—

(i) the acreage by which any farm acreage allotment for 1959 or any subsection crop established under paragraph (1) exceeds the acreage which would have been allotted to such farm if its allotment had been computed on the basis of the same percentage factor applied to other farms in the county under paragraph (2), (6), or (8) shall not be taken into account in establishing the acreage allotment for such farm for any crop for which acreage is allotted to such farm under paragraph (2), (6), or (8); and acreage shall be allotted under paragraph (2), (6), or (8) to farms which did not receive 1958 crop allotments in excess of ten acres if and only if the Secretary determines (after considering the allotments to other farms in the county for such crop compared with their 1958 allotments and other relevant factors) that equity and justice require the allotment of additional acreage to such farm under paragraph (2), (6), or (8),

(ii) the acreage by which any county acreage allotment for 1959 or any subsequent crop is increased from the national or State reserve on the basis of its needs for additional acreage for establishing minimum farm allotments shall not be taken into account in establishing future county acreage allotments, and

(iii) the additional acreage allotted pursuant to subparagraph (A) of this paragraph (7) shall not be taken into account in establishing future State, county, or farm acreage allotments.

(8) Notwithstanding the foregoing provisions of paragraphs (2) and (6) of this subsection, the Secretary shall, if allotments were in effect the preceding year, provide for the county acreage allotment for the 1959 and succeeding crops of cotton, less the acreage reserved under paragraph (3) of this subsection, to be apportioned to farms on which cotton has been planted in any one of the three years immediately preceding the year for

which such allotment is determined, on the basis of the farm acreage allotment for the year immediately preceding the year for which such apportionment is made, adjusted as may be necessary (i) for any change in the acreage of cropland available for the production of cotton, or (ii) to meet the requirements of any provision (other than those contained in paragraphs (2) and (6)) with respect to the counting of acreage for history purposes: *Provided,* That, beginning with allotments established for the 1961 crop of cotton, if the acreage actually planted (or regarded as planted under the Soil Bank Act, the Great Plains program, and the release and reapportionment provisions of subsection (m)(2) of this section) to cotton on the farm in the preceding year was less than 75 per centum of the farm allotment for such year or, in the case of a farm which qualified for price support on the crop produced in such year under section 103(b) of the Agricultural Act of 1949, as amended, 75 per centum of the farm domestic allotment established under section 350 for such year, whichever is smaller,[15] in lieu of using such allotment as the farm base as provided in this paragraph, the base shall be the average of (1) the cotton acreage for the farm for the preceding year as determined for purposes of this proviso and (2) the allotment established for the farm pursuant to the provisions of this subsection (f), for such preceding year; and the 1958 allotment used for establishing the minimum farm allotment under paragraph (1) of this subsection (f) shall be adjusted to the average acreage so determined. The base for a farm shall not be adjusted as provided in this paragraph if the county committee determines that failure to plant at least 75 per centum of the farm allotment was due to conditions beyond the control of producers on the farm. The Secretary shall establish limitations to prevent allocations of allotment to farms not affected by the foregoing proviso, which would be excessive on the basis of the cropland, past cotton acreage, allotments for other commodities, and good soil conservation practices on such farms.

(g) Notwithstanding the foregoing provisions of this section—

(1) State, county, and farm acreage allotments and yields for cotton shall be established in conformity with Public Law 28, Eighty-first Congress.

(2) In apportioning the county allotment among the farms within the county, the Secretary, through the local committees, shall take into consideration different conditions within separate administrative areas within a county if any exist, including types, kinds, and productivity of the soil so as to prevent discrimination among the administrative areas of the county.

(i) Notwithstanding any other provision of this Act, any acreage planted to cotton in excess of the farm acreage allotment shall not be taken into account in establishing State, county, and farm acreage allotments. Notwithstanding any other provision of this Act beginning with the 1960 crop the planting of cotton on a farm in any of the immediately preceding three years that allotments were in effect but no allotment was established for such farm for any year of such three-year period shall not make the farm eligible for an allotment as an old farm under subsection (f) of this section: *Provided, however,* That by reason of such planting the farm need not be considered as ineligible for a new farm allotment under subsection (f)(3) of this section.

(j) Notwithstanding any other provision of this Act, State and county committee shall make available for inspection by owners or operators of farms receiving cotton acreage allotments all records pertaining to cotton acreage allotments and marketing quotas.

(k) Notwithstanding any other provision of this section except subsection (g)(1), there shall be allotted to each State for which an allotment is made under this section not less than the smaller of (A) four thousand acres or (B) the highest acreage planted to cotton in any one of the three calendar years immediately preceding the year for which the allotment is made.

(m) Notwithstanding any other provision of law—

(1) (Applicable only to 1954 crop of cotton.)

(2) Any part of any farm cotton acreage allotment on which cotton will not be planted and which is voluntarily surrendered to the county committee shall be deducted from the allotment to such farm and may be reapportioned by the county committee to other farms in the same county receiving allotments in amounts determined by the county committee to be fair and reasonable on the basis of past acreage of cotton, land, labor, equipment available for the production of cotton, crop rotation practices, and soil and other physical facilities affecting the production of cotton. If all of the allotted acreage voluntarily surrendered is not needed in the county, the county committee may surrender the excess acreage to the State committee to be used for the same purposes as the State acreage reserve under subsection (e) of this section. Any allotment released under this provision shall be regarded for the purposes of establishing future allotments as having been planted on the farm and in the county where the release was made rather than on the farm and in the county to which the allotment was transferred, except that this shall not operate to make the farm from which the allotment was transferred eligible for an allotment as having cotton planted thereon during the three-year base period: *Provided,* That notwithstanding any other provisions of law, any part of any farm acreage allotment may be permanently released in writing to the county committee by the owner and operator of the farm, and reapportioned as provided herein. Acreage released under this paragraph shall be credited to the State in determining future allotments. The provisions of this paragraph shall apply also to extra long staple cotton covered by section 347 of this Act.

(n) Notwithstanding any other provision of this Act, if the Secretary determines for any year that because of a natural disaster a portion of the farm cotton acreage allotments in a county cannot be timely planted or replanted in such year, he may authorize for such year the transfer of all or part of the cotton acreage allotment for any farm in the county so affected to another farm in the county or in an adjoining county on which one or more of the producers on the farm from which the transfer is to be made will be engaged in the production of cotton and will share in the proceeds thereof, in accordance with such regulations as the Secretary may prescribe. Any farm allotment transferred under this paragraph shall be deemed to be released acreage for the purpose of acreage history credits under sections 344(f)(8), 344(m)(2), and 377 of this Act: *Provided*, That, notwithstanding the provisions of section 344(m)(2) of this Act, the transfer of any farm allotment under this subsection for any year shall operate to make the farm from which the allotment was transferred eligible for an allotment as having cotton planted thereon during the three-year base period.

* * * * * * *

(Note.—Section 345 is not applicable to the 1986 through 1989 crops of upland cotton.)

FARM MARKETING QUOTAS

SEC. 345. The farm marketing quota for any crop of cotton shall be the actual production of the acreage planted to cotton on the farm less the farm marketing excess. The farm marketing excess shall be the normal production of that acreage planted to cotton on the farm which is in excess of the farm acreage allotment: *Provided*, That such farm marketing excess shall not be larger than the amount by which the actual production of cotton on the farm exceeds the normal production of the farm acreage allotment, if the producer establishes such actual production to the satisfaction of the Secretary.

(Note.—Section 346 is not applicable to the 1986 through 1989 crops of upland cotton.)

PENALTIES; EXPORT MARKET ACREAGE

SEC. 346. (a) Whenever farm marketing quotas are in effect with respect to any crop of cotton the producer shall be subject to a penalty on the farm marketing excess at a rate per pound equal to 50 per centum of the parity price per pound for cotton as of June 15 of the calendar year in which such crop is produced.

(b) The farm marketing excess of cotton shall be regarded as available for marketing and the amount of penalty shall be computed upon the normal production of the acreage on the farm planted to cotton in excess of the farm acreage allotment. If a downward adjustment in the amount of the farm marketing excess is made pursuant to the proviso in section 345, the difference between the amount of the penalty computed upon the farm marketing excess before such adjustment and as computed upon the adjusted farm marketing excess shall be returned to or allowed the producer.

(c) The person liable for payment or collection of the penalty shall be liable also for interest thereon at the rate of 6 per centum per annum from the date the penalty becomes due until the date of payment of such penalty.

(d) Until the penalty on the farm marketing excess is paid, all cotton produced on the farm and marketed by the producers shall be subject to the penalty provided by this section and a lien on the entire crop of cotton produced on the farm shall be in effect in favor of the United States.

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MEASUREMENT OF FARMS AND REPORT OF PLANTINGS

SEC. 374. (a) The Secretary shall provide ascertaining, by measurement or otherwise, the acreage of any agricultural commodity or land use on farms for which the ascertainment of such acreage is necessary to determine compliance under any program administered by the Secretary. Insofar as practicable, the acreage of the commodity and land use shall be ascertained prior to harvest, and, if any acreage so ascertained is not in compliance with the requirements of the program the Secretary, under such terms and conditions as he prescribes, may provide a reasonable time for the adjustment of the acreage of the commodity or land use to the requirements of the program. Where cotton is planted in skiprow patterns, the same rules that were in effect for the 1971 through 1973 crops for classifying the acreage planted to cotton and the area skipped shall also apply to the 1974 through [1985] *1989* crops.

(b) With respect to cotton, the Secretary, upon such terms and conditions as he may by regulation prescribe, shall provide, through the county and local committees for the measurement prior to planting of an acreage on the farm equal to the farm acreage allotment if so requested by the farm operator, and any farm on which the acreage planted to cotton does not exceed such measured acreage shall be deemed to be in compliance with the farm acreage allotment.

(c) The Secretary shall by appropriate regulations provide for the remeasurement upon request by the farm operator of the acreage planted to such commodity on the farm and for the measurement of the acreage planted to such commodity on the farm remaining after any adjustment of excess acreage hereunder and shall prescribe the conditions under which the farm operator shall be required to pay the county committee for the expense of the measurement of adjusted acreage or the expense of remeasurement after the initial measurement or the measurement of adjusted acreage. The regulations shall also provide for the refund of any deposit or payment made for the expense of the remeasurement of the initially determined acreage or the adjusted acreage when because of an error in the determination of such acreage the remeasurement brings the acreage within the allotment or permitted acreage or results in a change in acreage in excess of a reasonable variation normal to measurements of acreage of the commodity. Unless the requirements for measurement of adjusted acreage are met by the farm operator, the acreage prior to such adjustment as determined by the county committee shall be considered the acreage of the commodity on the farm in determining whether the applicable farm allotment has been exceeded.

(Note.—Section 377 is not applicable to the 1986 through 1989 crops of upland cotton.)

PRESERVATION OF UNUSED ACREAGE ALLOTMENTS

SEC. 377. In any case in which, during any year beginning with 1956, the acreage planted to a commodity on any farm is less than the acreage allotment for such form, the entire acreage allotment for such farm (excluding any allotment released from the farm or reapportioned to the farm and any allotment provided for the farm pursuant to subsection (f)(7)(A) of section 344) shall except as provided herein, be considered for the purpose of establishing future State, county and farm acreage allotments to have been planted to such community in such year on such farm, but the 1956 acreage allotment of any commodity shall be regarded as planted under this section only if the owner or operator on such farm notified the county committee prior to the sixtieth day preceding the beginning of the marketing year for such commodity of his desire to preserve such allotment: *Provided,* That beginning with the 1960 crop, except for federally owned land, the current farm acreage allotment established for a commodity shall not be preserved as history acreage pursuant to the provisions of this section unless for the current year or either of the two preceding years an acreage equal to 75 per centum or more of the farm acreage allotment for such year or, in the case of peanuts, an acreage sufficient to produce 75 per centum of the farm poundage quota or, in the case of upland cotton on a farm which qualified for price support on the crop produced in any such year under section 103(b) of the Agricultural Act of 1949, as amended, 75 per centum of the farm domestic allotment established under section 350 for any such year, whichever is smaller was actually planted or devoted to the commodity on the farm (or was regarded as planted under provisions of the Soil Bank Act or the Great Plains programs): *Provided further,* That this section shall not be applicable in any case, within the period 1956 to 1959, in which the amount of the commodity required to be stored to postpone or avoid payment of penalty has been reduced because the allotment was not fully planted. Acreage history credits for released or reapportioned acreage shall be governed by the applicable provisions of this title pertaining to the release and reapportionment of acreage allotments.

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AGRICULTURAL ACT OF 1949

AN ACT To stabilize prices of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of Ameria in Congress assembled, That this Act may be cited as the "Agricultural Act of 1949."

TITLE I—BASIC AGRICULTURAL COMMODITIES

* * * * * * *

(Note.—Section 103(a) is not applicable to the 1986 through 1989 crops of upland cotton.)

PRICE SUPPORT FOR 1961 AND SUBSEQUENT YEARS (COTTON)

SEC. 103. (a) Notwithstanding the provisions of section 101 of this Act, price support to cooperators for each crop of upland cotton, beginning with the 1961 crop, for which producers have not disapproved marketing quotas shall be at such level not more than 90 per centum of the parity price therefor nor less than the minimum level prescribed below as the Secretary determines appropriate after consideration of the factors specified in section 401(b) of this Act. For the 1961 crop the minimum level shall be 70 per centum of the parity price therefor, and for each subsequent crop the minimum level shall be 65 per centum of the parity price therefor: *Provided,* That the price support for the 1964 crop shall be a national average support price which reflects 30 cents per pound for Middling one-inch cotton. Price support in the case of noncooperators and in case marketing quotas are disapproved shall be as provided in section 101(d) (3) and (5).

* * * * * * *

SEC. 103A. Notwithstanding any other provision of law:

(a)(1) The Secretary shall, on presentation of warehouse receipts reflecting accrued storage charges of not more than 60 days, make available for the 1986 through 1991 crops of upland cotton to producers nonrecourse loans for a term of 10 months from the first day of the month in which the loan is made at such level as will reflect for Strict Low Middling one and one-sixteenth inch upland cotton (micronaire 3.5 through 4.9) at average location in the United States a level that is not less than—

(A) in the case of the 1986 crop of upland cotton, 55 cents per pound; and

(B) in the case of each of the 1987 through 1989 crops of upland cotton, the higher of—

(i) 85 percent of the average price (weighted by market and month) of such quality of cotton as quoted in the designated United States spot markets during 3 years of the 5-year period ending July 31 in the year in which the loan level is announced, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period; or

(ii) 50 cents per pound.

(2) The loan level for any crop determined under paragraph (1)(B) may not be reduced by more than 5 percent from the loan level determined for the preceding crop.

(3) The loan level for any crop of cotton shall be determined and announced by the Secretary not later than November 1 of the calendar year preceding the marketing year for which such loan is to be effective, except that in the case of the 1986 crop, such determination and announcement shall be made as soon as practicable after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985. Such level shall not thereafter be changed.

(4)(A) Except as provided in subparagraph (B), nonrecourse loans provided for in this section shall, on request of the producer during the 10th month of the loan period for the cotton, be made available for an additional term of 8 months.

(B) A request to extend the loan period shall not be approved in any month in which the average price of Strict Low Middling one and one-sixteenth inch cotton (micronaire 3.5 through 4.9) in the designated spot markets for the preceding month exceeded 130 percent of the average price of such quality of cotton in such markets for the preceding 36-month period.

(5)(A) Except as provided subparagraph (B), the Secretary shall permit a producer to repay a loan made under this subsection for a crop at a level that is the lesser of—

(i) the loan level determined for such crop; or

(ii) the prevailing world market price for cotton (adjusted to United States quality and location), as determined by the Secretary.

(B) For each of the 1987 through 1991 crops of cotton, if the world market price for cotton (adjusted to United States quality and location) as determined by the Secretary, is less than 80 percent of the loan level determined for such crop, the Secretary may permit a producer to repay a loan made under this subsection for a crop at such level (not in excess of 80 percent of the loan level determined for such crop) as the Secretary determines will—

(i) minimize potential loan forfeitures;

(ii) minimize the accumulation of cotton stocks by the Federal Government;

(iii) minimize the cost incurred by the Federal Government in storing cotton; and

(iv) allow cotton produced in the United States to be marketed freely and competitively, both domestically and internationally.

(C)(i) The Secretary shall prescribe by regulation—

(I) a formula to define the prevailing world market price for cotton; and

(II) a mechanism by which the Secretary shall periodically announce the prevailing world market price for cotton.

(ii) Not later than 60 days after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985, the Secretary shall—

(I) publish in the Federal Register proposed regulations specifying such formula and mechanism; and

(II) invite public comment on such proposal.

(b)(1) The Secretary may, for each of the 1986 through 1991 crops of upland cotton, make payments available to producers who, although eligible to obtain a loan under subsection (a), agree to forgo obtaining such loan in return for such payments.

(2)(A) A payment under this subsection shall be computed by multiplying—

(i) the loan payment rate; by

(ii) the quantity of upland cotton the producer is eligible to place under loan.

(B) For purposes of this subsection, the quantity of upland cotton eligible to be placed under loan may not exceed the product obtained by multiplying—

(i) the individual farm program acreage for the crop (determined under subsection (g) or (i)(2)); by

(ii) the farm program payment yield (determined under subsection (h)).

(3) For purposes of this subsection, the loan payment rate shall be the amount by which—

(i) the loan level determined for such crop under subsection (a); exceeds

(ii) the level at which a loan may be repaid under subsection (a)(5).

(c)(1) The Secretary shall make available to producers payments for each of the 1986 through 1991 crops of upland cotton in an amount computed as provided in this subsection.

(2) Payments for any such crop of upland cotton shall be computed by multiplying—

(A) the payment rate; by

(B) the individual farm program acreage; by

(C) the farm program payment yield for the crop (determined in accordance with subsection (h)).

(3)(A) Except as provided in subparagraphs (B) and (C), if the producers on a farm reduce the acreage of cotton planted for harvest on the farm from the acreage base by at least the percentage recommended by the Secretary in the announcement of the national program acreage and such producers actually plant upland cotton or a nonprogram crop for harvest on at least 50 percent of the upland cotton acreage base of the farm (reduced by the percentage recommended by the Secretary—

(i) any portion of the upland cotton acreage base of the farm determined in accordance with subsection (i)(2)(C) (reduced by the percentage recommended by the Secretary) that is devoted to conserving uses or nonprogram crops shall be considered as part of the individual farm program acreage;

(ii) the producers shall be eligible for payments under this subsection with respect to the acreage referred to in clause (i); and

(iii) any portion of the upland cotton acreage base of the farm that is devoted to conserving uses or nonprogram crops shall be considered to be planted to upland cotton.

(B) If an acreage limitation program under subsection (i)(2) is in effect for a crop of upland cotton and the producers on a farm actually plant upland cotton or a nonprogram crop for harvest on at least 50 percent of the permitted upland cotton acreage of the farm (determined in accordance with subsection (i)(2)(A))—

(i) any portion of the permitted upland cotton acreage of the farm that is devoted to conserving uses or nonprogram crops shall be considered as part of the individual farm program acreage.

(ii) the producers shall be eligible for payments under this subsection with respect to the acreage referred to in clause (i) ; and

(iii) any portion of the upland cotton acreage base of the farm that is devoted to conserving uses or nonprogram crops shall be considered to be planted to upland cotton.

(C) If a set-aside program under subsection (i)(3) is in effect for a crop of upland cotton, the Secretary has announced a limitation on the acreage planted to upland cotton in accordance with subsection

(i)(3)(C), and the producers on a farm actually plant upland cotton or a nonprogram crop for harvest on a least 50 percent of the limited farm acreage (determined in accordance with subsection (1)(3)(C)—

(i) any portion of the limited farm acreage that is devoted to conserving use or nonprogram crops shall be considered as part of the individual farm program acreage;

(ii) the producers shall be eligible for payments under this subsection with respect to the acreage referred to in clause (i); and

(iii) any portion of the upland cotton acreage base of the farm that is devoted to conserving uses or nonprogram crops shall be considered to be planted to upland cotton.

(4) The payment rate for upland cotton shall be the amount by which the established price per pound for the crop of upland cotton exceeds the higher of—

(A) the average market price received by producers for upland cotton during the calendar year that includes the first 5 months of the marketing year for such crop, as determined by the Secretary; or

(B) the loan level determined for such crop.

(5) The established price for upland cotton shall not be less than $0.81 per pound.

(6) The total quantity of upland cotton an which payments would otherwise be payable to a producer on a farm for any crop under this subsection shall be reduced by the quantity on which any disaster payment is made to the producer for the crop under subsection (d).

(7) As used in this subsection, the term "nonprogram crop" means any agricultural commodity other than wheat, feed grains, upland cotton, extra long staple cotton, rice, or soybeans.

(d)(1) Except as provided in subparagraph (C), if the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for cotton to cotton or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

(A) the number of acres so affected but not to exceed the acreage planted to cotton for harvest (including any acreage that the producers were prevented from planting to cotton or other nonconserving crops in lieu of cotton because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year; by

(B) 75 percent of the farm program payment yield established by the Secretary; by

(C) a payment rate equal to 33⅓ percent of the established price for the crop.

(2) Except as provided in paragraph (3), if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of cotton that the producers are able to harvest on any farm is less than the result of multiplying 75 percent of the farm program

payment yield established by the Secretary for such crop by the acreage planted for harvest for such crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 33⅓ percent of the established price for the crop for the deficiency in production below 75 percent for the crop.

(3) Producers on a farm shall not be eligible for—

(A) prevented planting disaster payments under paragraph (1), if prevented planting crop insurance is available to the producers under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) with respect to the cotton acreage of the producers; or

(B) reduced yield disaster payments under paragraph (2), if reduced yield crop insurance is available to the producers under such Act with respect to the cotton acreage of the producers.

(4)(A) Notwithstanding paragraph (3), the Secretary may make a disaster payment to the producers on a farm under this subsection if the Secretary determines that—

(i) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers on a farm have suffered substantial losses of production either from being prevented from planting cotton or other nonconserving crops or from reduced yields;

(ii) such losses have created an economic emergency for the producers;

(iii) crop insurance indemnity payments under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) and other forms of assistance made available by the Federal Government to such producers for such losses are insufficient to alleviate such economic emergency; and

(iv) additional assistance must be made available to such producers to alleviate such economic emergency.

(B) The Secretary may make such adjustments in the amount of payments made available under this paragraph with respect to an individual farm so as to assure the equitable allotment of such payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

(e)(1) The Secretary shall establish for each of the 1986 through 1991 crops of upland cotton a national program acreage. Such national program acreage shall be announced by the Secretary not later than November 1 of the calendar year preceding the year for which such acreage is established, except that in the case of the 1986 crop, such announcement shall be made as soon as practicable after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

(2) The Secretary may revise the national program acreage first announced for any crop year for the purpose of determining the allocation factor under subsection (f) if the Secretary determines it necessary based on the latest information. The Secretary shall announce such revised national program acreage as soon as it has been made.

(3) The national program acreage for upland cotton shall be the number of harvested acres the Secretary determines (on the basis of the estimated weighted national average of the farm program yields for the crop for which the determination is made) will produce the quantity (less imports) that the Secretary estimates will be utilized

domestically and for export during the marketing year for such crop.

(4) The national program acreage shall be subject to such adjustment as the Secretary determines necessary, taking into consideration the estimated carryover supply, so as to provide for an adequate but not excessive total supply of cotton for the marketing year for the crop for which such national program acreage is established. In no event shall the national program acreage be less than 10 million acres.

(f) The Secretary shall determine a program allocation factor for each crop of upland cotton. The allocation factor for upland cotton (not to exceed 100 percent) shall be determined by dividing the national program acreage for the crop by the number of acres that the Secretary estimates will be harvested for such crop.

(g)(1) The individual farm program acreage for each crop of upland cotton shall be determined by multiplying the allocation factor by the acreage of cotton planted for harvest on the farms for which individual farm program acreages are required to be determined.

(2) The individual farm program acreage may not be further reduced by application of the allocation factor if the producers reduce the acreage of cotton planted for harvest on the farm from the acreage base established for the farm under subsection (i)(2)(C) by at least the percentage recommended by the Secretary in the announcement of the national program acreage.

(3) The Secretary shall provide fair and equitable treatment for producers on farms on which the acreage of cotton planted for harvest is less than the acreage base established for the farm under subsection (i)(2)(C), but for which the reduction is insufficient to exempt the farm from the application of the allocation factor.

(4) In establishing the allocation factor for upland cotton, the Secretary may make such adjustment as the Secretary deems necessary to take into account the extent of exemption of farms under the foregoing provisions of this subsection.

(h)(1) The farm program payment yield for each crop of upland cotton shall be determined on the basis of the actual yields per harvested acre on the farm for the preceding 3 years, except that the actual yields shall be adjusted by the Secretary for abnormal yields in any year caused by drought, flood, or other natural disaster, or other condition beyond the control of the producers. In case farm yield data for 1 or more years are unavailable or there was no production, the Secretary shall provide for appraisals to be made on the basis of actual yields and program payment yields for similar farms in the area for which data are available.

(2) Notwithstanding paragraph (1)—

(A) in the determination of yields, the Secretary shall take into account the actual yields proved by the producer; and

(B) neither the actual yields nor the farm program payment yield established on the basis of such yields shall be reduced under other provisions of this subsection.

(3) If the Secretary determines it necessary, the Secretary may establish national, State, or county program payment yields on the basis of—

(A) historical yields, as adjusted by the Secretary to correct for abnormal factors affecting such yields in the historical period; or

(B) if such data are not available, the Secretary's estimate of actual yields for the crop year involved.

(4) If national, State, or county program payment yields are established, the total farm program payment yields shall balance to the national, State, or county program payment yields.

(i)(1)(A) Notwithstanding any other provision of law, the Secretary may provide for any crop either for an acreage limitation program as described in paragraph (2) or a set-aside program as described in paragraph (3), if the Secretary determines that the total supply of upland cotton, in the absence of such a program, would be excessive, taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency.

(B) In making a determination under subparagraph (A), the Secretary shall take into consideration the number of acres placed in the conservation acreage reserve established under the Agriculture, Food, Trade, and Conservation Act of 1985.

(C) The Secretary shall announce any such upland cotton acreage limitation program or set-aside program not later than November 1 prior to the calendar year in which the crop is harvested, except that in the case of the 1986 crop, the Secretary shall announce such program as soon as practicable after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

(2)(A) If an acreage limitation program is announced under paragraph (1), the limitation on the acreage planted to upland cotton shall be achieved by applying a uniform percentage reduction (not to exceed 20 percent) to the acreage base for each cotton-producing farm.

(B) Except as provided in subsection (j), producers who knowingly produce upland cotton in excess of the permitted upland cotton acreage for the farm, as established in accordance with subparagraph (A), shall be ineligible for upland cotton loans and payments with respect to that farm.

(C)(i) For the purpose of determining any reduction required to be made for any year as the result of a limitation under this paragraph, the acreage base for any farm shall be—

(I) in the case of the 1986 crop of upland cotton, the average acreage planted to upland cotton for harvest in the 2 crop years immediately preceding the year for which the determination is made;

(II) in the case of the 1987 crop of upland cotton, the average acreage planted to upland cotton for harvest in the 3 crop years immediately preceding the year for which the determination is made;

(III) in the case of the 1988 crop of upland cotton, the average acreage planted to upland cotton for harvest in the 4 crop years immediately preceding the year for which the determination is made; and

(IV) in the case of each of the 1989 through 1991 crops of upland cotton, the average acreage planted to upland cotton for

harvest in the 5 crop years immediately preceding the year for which the determination is made.

(ii) For the purpose of clause (i), acreage planted to upland cotton for harvest shall include—

(I) any reduced acreage, set-aside acreage, and diverted acreage; and

(II) any acreage that producers were prevented from planting to upland cotton or other nonconserving crops in lieu of upland cotton because of drought, flood, or other natural disaster, or other condition beyond the control of the producers.

(iii) The Secretary may make adjustments to reflect established crop-rotation practices and to reflect such other factors as the Secretary determines should be considered in determining a fair and equitable base.

(iv) In no event may the total of all crop acreage bases for any farm exceed the total acreage of cropland on the farm.

(D)(i) A number of acres on the farm determined by dividing—

(I) the product obtained by multiplying the number of acres required to be withdrawn from the production of upland cotton times the number of acres actually planted to such commodity; by

(II) the number of acres authorized to be planted to such commodity under the limitation established by the Secretary,

shall be devoted to conservation uses, in accordance with regulations issued by the Secretary.

(ii) The number of acres determined under clause (i) is hereafter in this subsection referred to as "reduced acreage".

(E) If an acreage limitation program is announced under paragraph (1) for a crop of upland cotton, subsections (e), (f), and (g) shall not be applicable to such crop, including any prior announcement that may have been made under such subsections with respect to such crop. The individual farm program acreage shall be the acreage planted on the farm to upland cotton for harvest within the permitted upland cotton acreage for the farm as established under this paragraph.

(3)(A) If a set-aside program is announced under paragraph (1), then as a condition of eligibility for loans and payments authorized by this section (except as provided in subsection (j)), the producers on a farm must—

(i) set aside and devote to conservation uses an acreage of cropland equal to specified percentage (not to exceed 70 percent) of the acreage of upland cotton planted for harvest for the crop for which the set-aside is in effect; and

(ii) otherwise comply with such program.

(B) The set-aside acreage shall be devoted to conservation uses, in accordance with regulations issued by the Secretary.

(C)(i) If a set-aside program is established, the Secretary may limit the acreage planted to upland cotton. Such limitation shall be applied on a uniform basis to all cotton-producing farms.

(ii) The number of acres for each farm permitted to be planted to upland cotton, as determined in accordance with this subparagraph, shall be referred to as "limited farm acreage".

(D) The Secretary may make such adjustments in individual set-aside acreages under this section as the Secretary determines necessary—

(i) to correct for abnormal factors affecting production; and

(ii) to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, topography, and such other factors as the Secretary determines necessary.

(4)(A) The regulations issued by the Secretary under paragraphs (2) and (3) with respect to acreage required to be devoted to conservation uses shall assure protection of such acreage from weeds and wind and water erosion.

(B) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of such acreage to be devoted to sweet sorghum, hay and grazing, or production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodity, if the Secretary determines that such production is needed to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

(5)(A) The Secretary may make land diversion payments to producers of upland cotton, whether or not an acreage limitation or set-aside program for upland cotton is in effect, if the Secretary determines that such land diversion payments are necessary to assist in adjusting the total national acreage of upland cotton to desirable goals. Such land diversion payments shall be made to producers who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in accordance with land diversion contracts entered into by the Secretary with such producers.

(B) The amounts payable to producers under land diversion contracts may be determined through the submission of bids for such contracts by producers in such manner as the Secretary may prescribe or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

(C) The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to affect adversely the economy of the county or local community.

(6)(A) The reduced acreage, set-aside, and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies.

(B) The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of subparagraph (A).

(C) The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm, as the Secretary may prescribe, by the general public,

for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(j)(1) The Secretary may, for each of the 1986 through 1991 crops of upland cotton, make payments available to producers who meet the requirements of this section.

(2) Such payments shall be—

(A) made in the form of cotton owned by the Commodity Credit Corporation; and

(B) subject to the availability of such cotton.

(3)(A) Payments under this subsection shall be determined in the same manner as provided in subsection (b).

(B) The quantity of cotton to be made available to a producer under this subsection shall be equal in value to the payments so determined under such subsection.

(4) A producer shall be eligible to receive a payment under this subsection for a crop if the producer—

(A) agrees to forgo obtaining a loan under subsection (a);

(B) agrees to forgo receiving payments under subsection (c);

(C) does not plant upland cotton for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production under subsection (i); and

(D) otherwise complies with this section.

(k)(1) An operator of a farm desiring to participate in the program conducted under subsection (i) shall execute in agreement with the Secretary providing for such participation not later than such date as the Secretary may prescribe.

(2) The Secretary may, by mutual agreement with producers on a farm, terminate or modify any such agreement if the Secretary determines such action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities.

(l) The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis.

(m) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

(n)(1) If the failure of a producer to comply fully with the terms and conditions of the program formulated under this section precludes the making of loans and payments, the Secretary may, nevertheless, make such loans and payments in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure.

(2) The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet such other requirements does not affect adversely the operation of the program.

(o) The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

(p) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(q) The provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) (relating to assignment of payments) shall apply to payments under this section.

(r) In order to encourage and assist producers in the orderly ginning and marketing of their cotton production, the Secretary shall make recourse loans available to such producers on seed cotton in accordance with authority vested in the Secretary under the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.).

(s)(1) Whenever the Secretary determines that the average price of Strict Low Middling one and one-sixteenth inch cotton (micronaire 3.5 through 4.9) in the designated spot markets for a month exceeded 130 percent of the average price of such quality of cotton in such markets for the preceding 36 months, notwithstanding any other provision of law, the President shall immediately establish and proclaim a special limited global import quota for upland cotton subject to the following conditions:

(A) The quantity of the special quota shall be equal to 21 days of domestic mill consumption of upland cotton at the seasonally adjusted average rate of the most recent 3 months for which data are available.

(B) If a special quota has been established under this subsection during the preceding 12 months, the quantity of the quota next established hereunder shall be the smaller of 21 days of domestic mill consumption calculated as set forth in subparagraph (A) or the quantity required to increase the supply to 130 percent of the demand.

(C) As used in subparagraph (B):

(i) The term "supply" means, using the latest official data of the Bureau of the Census, the Department of Agriculture, and the Department of the Treasury—

(I) the carryover of upland cotton at the beginning of the marketing year (adjusted to 480-pound bales) in which the special quota is established; plus

(II) production of the current crops; plus

(III) imports to the latest date available during the marketing year.

(ii) The term "demand" means—

(I) the average seasonally adjusted annual rate of domestic mill consumption in the most recent 3 months for which data are available; plus

(II) the larger of—

(aa) average exports of upland cotton during the preceding 6 marketing years; or

(bb) cumulative exports of upland cotton plus outstanding export sales for the marketing year in which the special quota is established.

(D) When a special quota is established under this subsection, cotton may be entered under such quota during the 90-day period beginning on the effective date of the proclamation.

(2) Notwithstanding paragraph (1), a special quota period may not be established that overlaps an existing quota period.

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TITLE II—DESIGNATED NONBASIC AGRICULTURAL COMMODITIES

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(Note.—Section 203 is not applicable to the 1986 through 1989 crops of upland cotton.)

SEC. 203. Whenever the price of either cottonseed or soybeans is supported under this Act, the price of the other shall be supported at such level as the Secretary determines will cause them to compete on equal terms on the market.

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RESTRICTIONS ON SALES BY CCC

SEC. 407. The Commodity Credit Corporation may sell any farm commodity owned or controlled by it at any price not prohibited by this section. In determining sales policies for basic agricultural commodities or storable nonbasic commodities, the Corporation should give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop. The Corporation shall not sell any basic agricultural commodity or storable nonbasic commodity at less than 5 per centum above the current support price for such commodity, plus reasonable carrying charges: *Provided,* That effective with the beginning of the marketing year for the 1961 crop, the Coporation shall not sell any upland or extra long staple cotton for unrestricted use at less than 15 per centum above the current support price for cotton plus reasonable carrying charges, except that the Corporation may, in an orderly manner and so as not to affect market prices unduly, sell for unrestricted use at the market price at the time of sale a number of bales of cotton equal to the number of bales by which the national marketing quota for such marketing year is reduced below the estimated domestic consumption and exports for such marketing year pursuant to the provisions of section 342 of the Agricultural Adjustment Act of 1938, as amended: *Provided further,* That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges: *Provided,* That the Corporation shall not sell any of its stocks of wheat, corn, grain sorghum, barley, oats, and rye, respectivly, at less than 115 per centum of the current national average loan rate for the commodity, adjusted for such current market differentials reflecting grade, quality, location, and other value factors as the Secretary determines appropriate, plus reasonable carrying charges. The foregoing restrictions shall not apply to (A) sales for new or byproduct uses; (B) sales of peanuts and oilseeds for the extraction of oil; (C) sales for seed or feed if such sales will not substantially impair any price-support program; (D) sales of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage; (E) sales for the purpose of establishing claims, arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity; (F) sales for export; (G) sales of wool; and (H) sales for other than primary uses. Notwithstanding the foregoing, the Corporation, on such terms and conditions as the Secretary may deem in the public interest, may make available any farm commodity or product thereof owned or controlled by it for use in releiving distress (1) in any area in the United States including the Virgin Islands declared by the President to be an acute distress area because of unemployment or other economic cause if the President finds that such use will not displace or interfere with normal marketing of agricultural commodities and (2) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress, as amended (42 U.S.C. 1855) and may make feed owned or controlled by it available at any price not less than 75 per centum of the current basic county loan rate (or a comparable price if there is no current basic county loan rate) for assistance in the preservation and maintenance of foundation herds of cattle (including producing dairy cattle), sheep, and goats, and their offspring, in any area of the United States including the Virgin Islands where, because of flood, drought, fire, hurricane, earthquake, storm, disease, insect infestation, or other catastrophe in such areas, the Secretary determines that an emergency exists which warrant such assistance, such feed to be made available only to persons who do not have, and are unable to obtain through normal channels of trade without undue financial hardship, sufficient feed for such livestock: *Provided,* That the Secretary may provide for the furnishing of feed, or mixed feed in accordance with regulations prescribed by him, to such persons by feed dealers under an arrangement whereby the feed grains (or other feed being sold by the Corporation) in the feed so furnished would be replaced with feed owned or controlled by the Corporation and sold to such persons at a price determined as provided above. Except on a reimbursable basis, the Corporation shall not bear any costs in connection with making such commodity available beyond the cost of the commodities to the Corporation in store and the handling and transportation costs in making delivery of the commodity to designated agencies at one or more central locations in each State or other area. Nor shall the foregoing restrictions apply to sales of commodities the disposition of which is desirable in the interest of the effective and efficient conduct of the Corporation's operations because of the small quantities involved, or because of age, location or questionable continued storability, but such sales shall be offset by such purchases of commodities as the Corporation determines are necessary to prevent such sales from substantially impairing any price-support program, or unduly affecting market prices, but in no event shall the purchase price exceed the Corporation's minimum sales price for such commodities for unrestricted use. For the purpose of this section, sales for export shall not only include sales made on condition that the identical commodities sold be exported, but shall also include sales made on condition that commodities of the same kind and of comparable value of quantity be exported, either in raw or processed form. Notwithstanding the foregoing, whenever prior to December

31, 1963, the Secretary determines it necessary in order to assure the Nation an adequate supply of milk free for contamination by radioactive fallout, he may make feed owned or controlled by the Commodity Credit Corporation availale to producers of milk in any area or areas of the United States at such prices and on such terms and conditions as he deems appropriate in the public interest. [Notwithstanding any other provision of this section, for the period August 1, 1966, through July 31, 1970, (1) the Commodity Credit Corporation shall sell upland cotton for unrestricted use at the same prices as it sells cotton for export, in no event, however, at less than 110 per centum of the loan rate, and (2)] *Notwithstanding any other provision of law, (1) the Commodity Credit Corporation shall sell upland cotton for unrestricted use at the same prices as it sells upland cotton for export, in no event, however, at less than (A) 115 percent of the loan rate for Strict Low Middling one and one-sixteenth inch upland cotton (micronaire 3.5 through 4.9) adjusted for such current market differentials reflecting grade, quality, location, and other value factors as the Secretary determines appropriate plus reasonable carrying charges, or (B) if the Secretary permits the repayment of loans made for a crop of cotton at a rate that is less than the loan level determined for such crop, 115 percent of the average loan repayment rate that is determined for such crop during the period of such loans, and (2)* the Commodity Credit Corporation shall sell or make available for unrestricted use at current maket prices in each marketing year a quantity of upland cotton equal to the amount by which the production of upland cotton is less than the estimated requirements for domestic use and for export for such marketing year. The Secretary may make such estimates and adjustments therein at such times as he determines will best effecuate the provision of part (2) of the foregoing sentence and such quantity of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly. Notwithstanding any other provision of this section, effective August 1, 1968, the Commodity Credit Corporation shall make available during each marketing year for sale for unrestricted use at market prices at the time of sale, a quantity of American grown extra long staple cotton equal to the amount by which the production of such cotton in the calendar year in which such marketing year begins is less than the estimated requirments of American grown extra long staple cotton for domestic use and for export for such marketing year: *Provided,* That no sales shall be made at less than 115 per centum of the loan rate for extra long staple cotton under section 101(f) of this Act beginning with the marketing year for the first crop for which the national marketing quota for extra long staple cotton is not established under paragraph (3) of section 347(b) of the Agricultural Adjustment Act of 1938, as amended. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly.

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TITLE VII—RICE

AGRICULTURAL ACT OF 1949

AN ACT To stabilize prices of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1949".

TITLE I—BASIC AGRICULTURAL COMMODITIES

SEC. 101.* * *

SEC. 101A. Nothwithstanding any other provision of law:

(a)(1) Except as provided in paragraph (2), the Secretary shall make available to producers loans and purchases for each of the 1986 through 1989 crops of rice at a level that is not less than—

(A) in the case of the 1986 crop of rice, $7.20 per hundredweight; and

(B) in the case of each of the 1987 through 1991 crops of rice, the higher of—

(i) 85 percent of the simple average price received by producers, as determined by the Secretary, during the immediately preceding 5 marketing years, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period; or

(ii) $6.50 per hundredweight.

(2) The loan level for a crop of rice determined under paragraph (1)(B) may not be reduced by more than 5 percent from the loan level determined for the preceding crop.

(3)(A) The Secretary shall permit a producer to repay a loan made under paragraph (1) for a crop at a level that is the lesser of—

(i) the loan level determined for such crop; or

(ii) the higher of—

(I) 70 percent of such level; or

(II) the prevailing world market price for rice, as determined by the Secretary.

(B) The Secretary shall prescribe by regulation—

(i) a formula to define the prevailing world market price for rice; and

(ii) a mechanism by which the Secretary shall announce periodically the prevailing world market price for rice.

(4) A loan made under this section shall be repaid not later than 9 months after the month in which the application for the loan is made.

(5) For purposes of this section, the average price received by producers for the immediately preceding marketing year shall be based on the latest information available to the Secretary at the time of the determination.

(6) The loan and pruchase level and the established price for each of the 1986 through 1989 crops of rice shall be announced not later than March 1 of each calendar year for the crop harvested in that calendar year.

(b)(1) The Secretary may, for each of the 1986 through 1991 crops of rice, make payments available to producers who, although eligi-

ble to obtain a loan or purchase agreement under subsection (a), agree to forgo obtaining such loan or agreement in return for such payments.

(2)(A) A payment under this subsection shall be computed by multiplying—

(i) the loan payment rate; by

(ii) the quantity of rice the producer is eligible to place under loan.

(B) For purposes of this subsection, the quantity of rice eligible to be placed under loan may not exceed the product obtained by multiplying—

(i) the individual farm program acreage for the crop; by

(ii) the yield established for the farm.

(3) For purposes of this subsection, the loan payment rate shall be the amount by which—

(i) the loan level determined for such crop under subsection (a); exceeds

(ii) the level at which a loan may be repaid under subsection (a)(3).

(c)(1) The Secretary shall make available to producers payments for each of the 1986 through 1989 crops of rice in an amount computed as provided in this subsection.

(2) Payments for any such crop of rice shall be computed by multiplying—

(A) the payment rate; by

(B) the individual farm program acreage; by

(C) the yield established for the farm for the crop (determined in accordance with paragraph (5)).

(3)(A) Except as provided in subparagraphs (B) and (C), if the producers on a farm reduce the acreage of rice planted for harvest on the farm from the acreage base by at least the percentage recommended by the Secretary in the announcement of the national program acreage and such producers actually plant rice or nonprogram crop for harvest on at least 50 percent of the rice acreage base of the farm (reduced by the percentage recommended by the Secretary)—

(i) any portion of the rice acreage base of the farm determined in accordance with subsection (f)(2)(C) (reduced by the percentage recommended by the Secretary) that is devoted to conserving uses or nonprogram crops shall be considered as part of the individual farm program acreage;

(ii) the producers shall be eligible for payments under this subsection with respect to the acreage referred to in clause (i); and

(iii) any portion of the rice acreage base of the farm that is devoted to conserving uses or nonprogram crops shall be considered to be planted to rice.

(B) If an acreage limitation program under subsection (f)(2) is in effect for a crop of rice and producers on a farm actually plant rice or a nonprogram crop for harvest on at least 50 percent of the permitted rice acrage of the farm (determined in accordance with subsection (f)(2)(A))—

(i) any portion of the permitted rice acreage of the farm that is devoted to conserving uses or nonprogram crops shall be considered as part of the individual farm program acreage;

(ii) the producers shall be eligible for payments under this subsection with respect to the acreage referred to in clause (i); and

(iii) any portion of the rice acreage base of the farm that is devoted to conserving uses or nonprogram crops shall be considered to be planted to rice.

(C) If a set-aside program under subsection (f)(3) is in effect for a crop of rice, the Secretary has announced a limitation on the acreage planted to rice in accordance with subsection (f)(3)(C), and the producers on a farm actually plant rice or a nonprogram crop for harvest on at least 50 percent of the limits farm acreage (determined in accordance with subsection (f)(3)(C))—

(i) any portion of the limited farm acreage that is devoted to conserving uses or nonprogram crops shall be considered as part of the individual farm program acreage;

(ii) the producers shall be eligible for payments under this subsection with respect to the acreage referred to in clause (i); and

(iii) any portion of the rice acreage base of the farm that is devoted to conserving uses or nonprogram crops shall be considered to be planted to rice.

(4) The payment rate for rice shall be the amount by which the established price for the crop of rice exceeds the higher of—

(A) the national average market price received by producers during the first 5 months of the marketing year for such crop, as determined by the Secretary; or

(B) the loan level determined for such crop.

(5) The established price for rice shall not be less than $11.90 per hundredweight.

(6) The yield established for the farm for any year shall be determined on the basis of the actual yields per harvested acre for the 3 preceding years. The actual yields shall be adjusted by the Secretary for abnormal yields in any year caused by drought, flood, other natural disaster, or other condition beyond the control of the producers. If no rice was produced on the farm during such period, the yield shall be determined taking into consideration the yield of comparable farms in the surrounding area and such other factors as the Secretary determines will produce a fair and equitable yield.

(7) The total quantity of rice on which payments would otherwise be payable to a producer on a farm for any crop under this subsection shall be reduced by the quantity on which any disaster payment is made to the producer for the crop under subsection (d).

(8) As used in this subsection, the term 'nonprogram crop' means any agricultural commodity other than wheat, feed grains, upland cotton, extra long staple cotton, rice, or soybeans.

(d)(1) Except as provided in paragraph (3), if the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for rice to rice or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

(A) the number of acres so affected but not to exceed the acreage planted to rice for harvest (including any acreage that the

producers were prevented from planting to rice or other nonconserving crops in lieu of rice because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year; by

(B) 75 percent of the yield established for the farm by the Secretary; by

(C) a payment rate equal to 33⅓ percent of the established price for the crop.

(2) Except as provided in paragraph (3), if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of rice that the producers are able to harvest on any farm is less than the result of multiplying 75 percent of the yield established for the farm for such crop by the acreage planted for harvest for such crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 33⅓ percent of the established price for the crop for the deficiency in production below 75 percent for the crop.

(3) Producers on a farm shall not be eligible for—

(A) prevented planting disaster payments under paragraph (1), if prevented planting crop insurance is available to the producers under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) with respect to the rice acreage of the producers; or

(B) reduced yield disaster payments under paragraph (2), if reduced yield crop insurance is available to the producers under such Act with respect to the rice acreage of the producers.

(4)(A) Notwithstanding paragraph (3), the Secretary may make a disaster payment to producers on a farm under this subsection if the Secretary determines that—

(i) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers have suffered substantial lossses of production either from being prevented from planting rice or other nonconserving crops or from reduced yields;

(ii) such losses have created an economic emergency for the producers;

(iii) crop insurance indemnity payments under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) and other forms of assistance made available by the Federal Government to such producers for such losses is insufficient to alleviate such economic emergency; and

(iv) additional assistance must be made available to such producers to alleviate such economic emergency.

(B) The Secretary may make such adjustments in the amount of payments made available under this paragraph with respect to an individual farm so as to assure the equitable allotment of such payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

(e)(1)(A) The Secretary shall proclaim a national program acreage for each of the 1986 through 1991 crops of rice. The proclamation shall be made not later than January 31 of each calendar year for the crop harvested in that calendar year.

(B) The Secretary may revise the national program acreage first proclaimed for any crop year for the purpose of determining the al-

location factor under paragraph (2) if the Secretary determines a revision is necessary based on the latest information. The Secretary shall proclaim such revised national program acreage as soon as it is made.

(C) The national program acreage for rice shall be the number of harvested acres the Secretary determines (or the basis of the weighted national average of the farm established yields for the crop for which the determination is made) will produce the quantity (less imports) that the Secretary estimates will be utilized domestically and for export during the maketing year for such crop.

(D) If the Secretary determines that carryover stocks of rice are excessive or an increase in stocks is needed to assure desirable carryover, the Secretary may adjust the national program acreage by the quantity the Secretary determines will accomplish the desired increase or decrease in carryover stocks.

(2) The Secretary shall determine a program allocation factor for each crop of rice. The allocation factor for rice shall be determined by dividing the national program acreage for the crop by the number of acres that the Secretary estimates will be harvested for such crop. In no event may the allocation factor for any crop of rice be more than 100 percent nor less than 80 percent.

(3)(A) The individual farm program acreage for each crop of rice shall be determined by multiplying the allocation factor by the acreage of rice planted for harvest on the farms for which individual farm program acreages are required to be determined.

(B) The individual farm program acreage may not be further reduced by application of the allocation factor if the producers reduce the acreage of rice planted for harvest on the farm from the acreage base established for the farm under subsection (f)(2)(C) by least the percentage recommended by the Secretary in the proclamation of the national program acreage.

(C) The Secretary shall provide fair and equitable treatment for producers on farms on which the acreage of rice planted for harvest is less than the acreage base established for the farm under subsection (f)(2)(C), but for which the reduction is insufficient to exempt the farm from the application of the allocation factor.

(D) In establishing the allocation factor for rice, the Secretary may make such adjustments as the Secretary deems necessary to take into account the extent of exemption of farms under the foregoing provisions of this subsection.

(f)(1)(A) Notwithstanding any other provision of law, the Secretary may provide for any crop either for an acreage limitation program as described in paragraph (2) or a set-aside program as described in paragraph (3), if the Secretary detemines that the total supply of rice, in the absence of such a program, would be excessive, taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency.

(B) In making a determination under subparagraph (A), the Secretary shall take into consideration the number of acres placed in the conservation acreage reserve established under the Agriculture, Food, Trade, and Conservation Act of 1985.

(C) The Secretary shall announce any such rice acreage limitation program or set-aside program not later than January 31 of the cal-

endar year in which the crop for which the announcement is made is harvested.

(2)(A) If an acreage limitation program is announced under paragraph (1), the limitation on the acreage planted to rice shall be achieved by applying a uniform percentage reduction (not to exceed 35 percent) to the acreage base for each rice-producing farm.

(B) Except as provided in subsection (g), producers who knowingly produce rice in excess of the permitted rice acreage for the farm, as established in accordance with subparagraph (A), shall be ineligible for for rice loans, purchases, and payments with respect to that farm.

(C)(i) For the purpose of determining any reduction required to be made for any year as the result of a limitation under this paragraph, the acreage base for any farm shall be—

(I) in the case of the 1986 crop of rice, the average acreage planted to rice for harvest in 2 crop years immediately preceding the year for which the determination is made;

(II) in the case of the 1987 crop of rice, the average acreage planted to rice for harvest in the 3 crop years immediately preceding the year for which the determination is made;

(III) in the case of the 1988 crop of rice, the average acreage planted to rice for harvest in the 4 crop years immediately preceding the year for which the determination is made; and

(IV) in the case of the 1989 through 1991 crops of rice, the average acreage planted to rice for harvest in the 5 crop years immediately preceding the year for which the determination is made.

(ii) For the purpose of clause (i), acreage planted to rice for harvest shall include—

(I) any reduced acreage, set-aside acreage, and diverted acreage; and

(II) any acreage that producers were prevented from planting to rice or other nonconserving crops in lieu of rice because of drought, flood, or other natural disaster, or other condition beyond the control of the producers.

(iii) The Secretary may make adjustments to reflect establishing crop-rotation practices and to reflect such other factors as the Secretary determines should be considered in determining a fair and equitable base.

(iv) In no event may the total of all crop acreage bases for any farm exceed the total acreage of cropland on the farm.

(D)(i) A number of acres on the farm determined by dividing—

(I) the product obtained by multiplyinig the number of acres required to be withdrawn from the production of rice times the number of acres actually planted to such commodity; by

(II) the number of acres authorized to be planted to such commodity under the limitation established by the Secretary,

shall be devoted to conservation uses, in accordance with regulations issued by the Secretary.

(ii) The number of acres determined under clause (i) is hereafter in this subsection referred to as "reduced acreage".

(E) If an acreage limitation program is announced under paragraph (1) for a crop of rice, subsection (e) shall not be applicable to such crop, including any prior announcement that may have been

made under such subsection with respect to such crop. The individual farm program acreage shall be the acreage planted on the farm to rice for harvest within the permitted rice acreage for the farm as established under this paragraph.

(3)(A) If a set-aside program is announced under paragraph (1), then as a condition of eligibility for loans, purchases, and payments authorized by this section (except as provided in subsection (g)), the producers on a farm must—

(i) set aside and devote to conservation uses an acreage of cropland equal to a specified percentage (not to exceed 35 percent) of the acreage of rice planted for harvest for the crop for which the set-aside is in effect; and

(ii) otherwise comply with such program.

(B) The set-aside acreage shall be devoted to conservation uses, in accordance with regulations issued by the Secretary.

(C)(i) If a set-aside program is established, the Secretary may limit the acreage planted to rice. Such limitation shall be applied on a uniform basis to all rice-producing farms.

(ii) The number of acres for each farm permitted to be planted to rice, as determined in accordance with this subparagraph, shall be referred to as "limited farm acreage".

(D) The Secretary may make such adjustments in individual set-aside acreages under this section as the Secretary determines necessary—

(i) to correct for abnormal factors affecting production; and

(ii) to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, topography, and such other factors as the Secretary determines necessary.

(4)(A) The regulations issued by the Secretary under paragraphs (2) and (3) with respect to acreage required to be devoted to conservation uses shall assure protection of such acreage from weeds and wind and water erosion.

(B) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of such acreage to be devoted to sweet sorghum, hay and grazing, or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodity, if the Secretary determines that such production is needed to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

(2)(A) The Secretary may make land diversion payments to producers of rice, whether or not an acreage limitation or set-aside program for rice is in effect, if the Secretary determines that such land diversion payments are necessary to assist in adjusting the total national acreage of rice to desirable goals. Such land diversion payments shall be made to producers who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in accordance with land diversion contracts entered into by the Secretary with such producers.

(B) The amounts payable to producers under land diversion contracts may be determined through the submission of bids for such contracts by producers in such manner as the Secretary may pre-

scribe or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

(C) The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to affect adversely the economy of the county or local community.

(3)(A) The reduced acreage and set-aside acreage, and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies.

(B) The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of subparagraph (A).

(C) The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm, as the Secretary may prescribe, by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(4)(A) An operator of a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for such participation not later than such date as the Secretary may prescribe.

(B) The Secretary may, by mutual agreement with producers on a farm, terminate or modify any such agreement if the Secretary determines such action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities.

(g)(1) The Secretary may, for each of the 1986 through 1991 crops of rice, make payments available to producers who meet the requirements of this section.

(2) Such payments shall be—

(A) made in the form of rice owned by the Commodity Credit Corporation; and

(B) subject to the availability of such rice.

(3)(A) Payments under this subsection shall be determined in the same manner as provided in subsection (b).

(B) The quantity of rice to be made available to a producer under this subsection shall be equal in value to the payments so determined under such subsection.

(4) A producer shall be eligible to receive a payment under this subsection for a crop if the producer—

(A) agrees to forgo obtaining a loan or purchase agreement under subsection (a);

(B) agrees to forgo receiving payments under subsection (c);

(C) does not plant rice for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production under subsection (f); and

(D) otherwise complies with this section.

(h) The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis.

(i) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

(j)(1) If the failure of a producer to comply fully with the terms and conditions of the program formulated under this section precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make such loans, purchases, and payments in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure.

(2) The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet such other requirements does not affect adversely the operation of the program.

(k) The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

(l) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(m) The provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) (relating to assignment of payments) shall apply to payments under this section.

TITLE VIII—PEANUTS

AGRICULTURAL ADJUSTMENT ACT OF 1938

AN ACT To provide for the conservation of national soil resources and to provide an adequate and balanced flow of agricultural commodities in interstate and foreign commerce and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Adjustment Act of 1938."

* * * * * * *

TITLE III—LOANS, PART PAYMENT, CONSUMER SAFEGUARDS, MARKETING QUOTAS, AND MARKETING CERTIFICATES

* * * * * * *

MARKETING QUOTAS

[Subsecs. 358(a) through (j) are inapplicable to the 1986 through 1989 crops of peanuts.]

SEC. 358. (a) July 1 and December 1 of each calendar year the Secretary shall proclaim the amount of the national marketing quota for peanuts for the crop produced in the next succeeding calendar year in terms of the total quantity of peanuts which will make available for marketing a supply of peanuts from the crop with respect to which the quota is proclaimed equal to the average quantity of peanuts harvested for nuts during the five years immediately preceding the year in which such quota is proclaimed, adjusted for current trends and prospective demand conditions, and the quota so proclaimed shall be in effect with respect to such crop. The national marketing quota for peanuts for any year shall be converted to a national acreage allotment by dividing such quota by the normal yield per acre of peanuts for the United States determined by the Secretary on the basis of the average yield per acre of peanuts in the five years preceding the year in which the quota is proclaimed, with such adjustments as may be found necessary to correct for trends in yields and for abnormal conditions of production affecting yields in such five years: *Provided,* That the national marketing quota established for the crop produced in the calendar year 1941 shall be a quantity of peanuts sufficient to provide a national acreage allotment of not less than one million six hundred and ten thousand acres, and that the national marketing quota established for any subsequent year shall be a quantity of peanuts sufficient to provide a national acreage allotment of not less than that established for the crop produced in the calendar year 1941.

(b) Not later than December 15 of each calendar year the Secretary shall conduct a referendum of farmers engaged in the production of peanuts in the calendar year in which the referendum is held to determine whether such farmers are in favor of or opposed to marketing quotas with respect to the crops of peanuts produced in the three calendar years immediately following the year in which the referendum is held, except that, if as many as two-thirds of the farmers voting in any referendum vote in favor of marketing quotas, no referendum shall be held with respect to quotas for the second and third years of the period. The Secretary shall proclaim the results of the referendum within thirty days after the date on which it is held, and, if more than one-third of the farmers voting in the referendum vote against marketing quotas, the Secretary also shall proclaim that marketing quotas will not be in effect with respect to the crop of peanuts produced in the calendar year immediately following the calendar year in which the referendum is held.

(c)(1) The national acreage allotment for 1951, less the acreage to be allotted to new farms under subsection (f) of this section, shall be apportioned among the States on the basis of the larger of the following for each State: (a) The acreage allotted to the State as its share of the 1950 national acreage allotment of two million one hundred thousand acres, or (b) the State's share of two million one hundred thousand acres apportioned to States on the basis of the average acreage harvested for nuts in each State in the five years 1945–49: *Provided,* That any allotment so determined for any State which is less than the 1951 State allotment announced by the Secretary prior to the enactment of this Act shall be increased to such announced allotment and the acreage required for such increases shall be in addition to the 1951 national acreage allotment and shall be considered in determining State acreage allotments in future years. For any year subsequent to 1951, the national acreage allotment for that year, [3] shall be apportioned among the States on the basis of their share of the national acreage allotment for the most recent year in which such apportionment was made: * * *

(2) Notwithstanding any other provision of law, if the Secretary of Agriculture determines, on the basis of the average yield per acre of peanuts by types during the preceding five years, adjusted for trends in yields and abnormal conditions of production affecting yields in such five years, that the supply of any type or types of peanuts for any marketing year, beginning with the 1951–52 marketing year, will be insufficient to meet the estimated demand for cleaning and shelling purposes at prices at which the Commodity Credit Corporation may sell for such purposes peanuts owned or controlled by it, the State allotments for those States producing such type or types of peanuts shall be increased to the extent determined by the Secretary to be required to meet such demand but the allotment for any State may not be increased under this provision above the 1947 harvested acreage of peanuts for such State. The total increase so determined shall be apportioned among such States for distribution among farms producing peanuts of such type or types on the basis of the average acreage of peanuts for such type or types in the three years immediately preceding the year for which the allotments are being determined. The additional acreage so required shall be in addition to the national acreage allotment, the production from such acreage shall be in addition to the national marketing quota, and the increase in acreage allotted under this provision shall not be considered in establishing future State, county, or farm acreage allotments.

(d) The Secretary shall provide for the apportionment of the State acreage allotment for any State, less the acreage to be allotted to new farms under subsection (f) of this section, through local committees among farms on which peanuts were grown in any of the three years immediately preceding the year for which such allotment is determined. The State acreage allotment for 1952 and any subsequent year shall be apportioned among farms on which peanuts were produced in any one of the 3 calendar years immediately preceding the year for which such apportionment is made, on the basis of the following: Past acreage of peanuts, taking into consideration the acreage allotments previously established for the farm; abnormal conditions affecting acreage; land, labor, and equipment available for the production of peanuts; crop-rotation practices; and soil and other physical factors affecting the production of peanuts. Any acreage of peanuts harvested in excess of the allotted acreage for any farm for any year shall not be considered in the establishment of the allotment for the farm in succeeding years. The amount of the marketing quota for each farm shall be the actual production of the farm-acreage allotment, and no peanuts shall be marketed under the quota for any farm other than peanuts actually produced on the farm.

(e) Notwithstanding the foregoing provisions of this section, the Secretary may, if the State committee recommends such action and the Secretary determines that such action will facilitate the effective administration of the provisions of the Act, provide for the apportionment of the State acreage allotment for 1952 and any subsequent year among the counties in the State on the basis of the past acreage of peanuts harvested for nuts (excluding acreage in excess of farm allotments) in the county during the five years immediately preceding the year in which such apportionment is made, with such adjustments as are deemed necessary for abnormal conditions affecting acreage, for trends in acreage, and for additional allotments for types of peanuts in short supply under the provisions of subsection (c). The county acreage allotment shall be apportioned among farms on the basis of the factors set forth in subsection (d) of this section.

(f) Not more than 1 percent centum of the State acreage allotment shall be apportioned among farms in the State on which peanuts are to be produced during the calendar year for which the allotment is made but on which peanuts were not produced during any one of the past three years, on the basis of the following: Past peanut-producing experience by the producers; land, labor, and equipment available for the production of peanuts; crop-rotation practices; and soil and other physical factors affecting the production of peanuts.

(g) Any part of the acreage allotted to individual farms under the provisions of this section on which peanuts will not be produced and which is voluntarily surrendered to the county committee shall be deducted from the allotments to such farms and may be reapportioned by the county committee to other farms in the same county receiving allotments, in amounts determined by the county committee to be fair and reasonable on the basis of land, labor, and equipment available for the production of peanuts, crop-rotation practices and soil and other physical factors affecting the production of peanuts. Any transfer of allotments under this provision shall not operate to reduce the allotment for any subsequent year for the farm from which acreage is transferred, except as the farm becomes ineligible for an allotment by failure to produce peanuts during a three-year period, and any such transfer shall not operate to increase the allotment for any subsequent year for the farm to which the acreage is transferred: Provided, That, notwithstanding any other provisions of this Act, any part of any farm acreage allotment may be permanently released in writing to the county committee by the owner and operator of the farm, and reapportioned as provided herein.

(h) * * *

(i) The production of peanuts on a farm in 1959 or any subsequent year for which no farm acreage allotment was established shall not make the farm eligible for an allotment as an old farm under subsection (d) of this section: Provided, however, That by reason of such production the farm need not be considered as ineligible for a new farm allotment under subsection (f) of this section, but such production shall not be deemed past experience in the production of peanuts for any producer on the farm.

(j) Notwithstanding any other provision of this Act, if the Secretary determines for 1976 or a subsequent year that because of a natural disaster a portion of the farm peanut acreage allotments in a county cannot be timely planted or replanted in such year, he may authorize for such year the transfer of all or a part of the peanut acreage allotments for any farm in the county so affected to another farm in the county or in an adjoining county in the same or an adjoining State on which one or more of the producers on the farm from which the transfer is to be made will be engaged in the production of peanuts and will share in the proceeds thereof, in accordance with such regulations as the Secretary may prescribe. Any farm allotment transferred under this subsection shall be deemed to be released acreage for the purpose of acreage history credits under subsection (g) of this section and section 377 of this Act: Provided, That notwithstanding the provisions of subsection (g) of this section, the transfer of any farm allotment under this subsection shall operate to make the farm from which the allotment was transferred eligible for an allotment as having peanuts planted thereon during the three-year base period.

(k)(1) Except as provided in paragraph (2), the national poundage quota for peanuts for each of the marketing years 1986 through 1991 shall be established by the Secretary at a level that will meet domestic edible, seed, and related needs for peanuts, taking into consideration any estimated carryover of industry stocks and producer undermarketings.

(2) The level established for any marketing year shall not be less than a quantity equal to 1,100,000 tons,

increased by a quantity that the Secretary estimates the domestic edible, seed, and related uses of peanuts in such year will exceed such quantity.

(3) The national poundage quota shall be announced by the Secretary not later than December 15 of the year preceding the marketing year for which such poundage quota will be effective.

(l) The national poundage quota established under subsection (k) shall be apportioned among the States so that the poundage quota allocated to each State shall be equal to the percentage of the national poundage quota allocated to farms in the State for 1985.

(m)(1)(A) A farm poundage quota shall be established for—

(i) each farm that had a farm poundage quota for the 1985 crop of peanuts; and

(ii) each other farm on which peanuts were produced in at least 2 of the 1983 through 1985 crop years, as determined by the Secretary.

(B) The farm poundage quota for any such farm for the 1986 through 1991 marketing years shall be the same as the farm poundage quota for such farm for the immediately preceding marketing years, as adjusted under this subsection, but not including—

(i) any increases for undermarketings from previous years; or

(ii) any increases resulting from the allocation of quotas voluntarily released for 1 year under paragraph (7).

(C) For purposes of this paragraph, if the farm poundage quota, or any part thereof, is permanently transferred in accordance with section 358a, the receiving farm shall be considered as possessing the farm poundage quota (or portion thereof) of the transferring farm for all subsequent marketing years.

(D) A farm poundage quota established for a farm under paragraph (2) or (6) shall be considered as being established under this paragraph for all subsequent marketing years unless redued under paragraph (3), permanently released under paragraph (5), or transferred under section 358a(i).

(2)(A) Any increase in a poundage quota apportionment of a State from the 1985 to 1986 marketing year shall be allocated equally to

all farms that are eligible for a farm poundage quota for the 1986 marketing year under paragraph (1).

(B) If the national poundage quota is increased for any of the 1987 through 1991 marketing years, such increase in the poundage quota apportionment of a State shall be allocated equally among—

(i) all farms for which a poundage quota was established for the marketing year immediately preceding the marketing year for which the allocation is being made; and

(ii) all other farms for which peanuts were produced during at least 2 of the 3 immediately preceding crop years, as determined by the Secretary.

(3)(A) Insofar as practicable and on such fair and equitable basis as the Secretary may by regulation prescribe, the farm poundage quota established for a farm for any of the 1986 through 1991 marketing years shall be reduced to the extent that the Secretary determines that the farm poundage quota established for the farm for any 2 of the 3 marketing years immediately preceding the year for which the determination is being made was not produced, or considered produced, on the farm.

(B) For purposes of this paragraph, the farm poundage quota for any such preceding marketing year shall not include—

(i) any increases for undermarketing of quota peanuts from previous years; or

(ii) any increases resulting from the allocation of quotas voluntarily released for 1 year under paragraph (7).

(4) For purposes of this subsection, the farm poundage quota for a crop shall be considered produced on a farm if—

(A) the poundage quota of peanuts for such crop was not produced on the farm as a result of drought, flood, or other natural disaster, or other condition beyond the control of the producer, as determined by the Secretary; or

(B) the farm poundage quota for such crop on the farm was released voluntarily under paragraph (7) if such quota was not released in any 2 of the marketing years immediately preceding the year for which the determination of such quota is made.

(5) Notwithstanding any other provision of law—

(A) the farm poundage quota established for a farm under this subsection, or any part thereof, may be permanently released by the owner of the farm, or the operator with the permission of the owner; and

(B) the poundage quota for the farm shall be adjusted to the extent that the quota is so released.

(6)(A) The total quantity of farm poundage quota reduced or released from farms in a State during any year under paragraph (3) or (5), respectively, shall be allocated, under regulations issued by the Secretary, to other farms in the State on which peanuts were produced in at least 2 of the 3 crop years immediately preceding the year in which such allocation is being made.

(B) Not less than 25 percent of such poundage quota shall be assigned to farms for which no quota was established for the preceding year's crop.

(7)(A) The farm poundage quota established for a farm for a marketing year, or any portion thereof, may be voluntarily released to

the Secretary to the extent that such quota of peanuts will not be produced on the farm during the crop year.

(B) Any farm poundage quota voluntarily released from farms in a State shall be allocated to other farms in the State on such basis as the Secretary may prescribe.

(C) Any adjustment in the poundage quota for a farm under this paragraph—

(i) Shall be effective only for the marketing year for which it is made; and

(ii) Shall not be taken into consideration in establishing a poundage quota for the farm for any subsequent marketing year.

(8)(A)(i) Except as provided in clause (ii), the farm poundage quota for a farm for any marketing year shall be increased by the number of pounds by which—

(I) the total marketings of quota peanuts from the farm during previous marketing years (excluding any marketing year before the marketing year for the 1984 crop) were less than

(II) the total quantity of the applicable farm poundage quotas (disregarding adjustments for undermarketings from prior marketing years) for such marketing years.

(ii) No increase for undermarketings in previous years shall be made to the poundage quota for any farm to the extent that the quota for such farm for the marketing year was reduced under paragraph (3) for failure to produce.

(B) Increases in farm poundage quotas made under this paragraph shall not be counted against the national poundage quota for the marketing year involved.

(C) Any farm poundage quota increase made under this paragraph may be used in the marketing year by the transfer of additional peanuts produced on the farm to the quota loan pool for pricing purposes on such basis as the Secretary shall prescribe by regulation.

(9) Notwithstanding the foregoing provisions of this subsection, if the total of all increases in individual farm poundage quotas under paragraph (8) exceeds 10 percent of the national poundage quota for the marketing year in which such increases shall be applicable, the Secretary shall adjust such increases so that the total of all such increases does not exceed 10 percent of the national poundage quota.

(n)(1) For each farm for which a farm poundage quota was established under subsection (m), and when necessary for purposes of this Act, a farm yield of peanuts shall be determined for each such farm.

(2) Such yield shall be equal to the average of the actual yield per acre on the farm for each of the 3 crop years in which yields were highest on the farm out of the 5 crop years 1973 through 1977.

(3) If peanuts were not produced on the farm in at least 3 years during such 5-year period or there was a substantial change in the operation of the farm during such period (including, but not limited to, a change in operator, lessee who is an operator, or irrigation practices), the Secretary shall have a yield appraised for the farm.

(4) The appraised yield shall be that quantity determined to be fair and reasonable on the basis of yields established for similar farms that are located in the area of the farm and on which pea-

nuts were produced, taking into consideration land, labor, and equipment available for the production of peanuts, crop rotation practices, soil and water, and other relevant factors.

(o)(1)(A) Except as provided in subparagraph (B), not later than December 15 of each calendar year, the Secretary shall conduct a referendum of producers engaged in the production of quota peanuts in the calendar year in which the referendum is held to determine whether such producers are in favor of or opposed to poundage quotas with respect to the crops of peanuts produced in the 3 calendar years immediately following the year in which the referendum is held.

(B) If as many as two-thirds of the producers voting in any referendum vote in favor of poundage quotas, no referendum shall be held with respect to quotas for the second and third years of the period.

(2) The Secretary shall proclaim the result of the referendum within 30 days after the date on which it is held.

(3) If more than one-third of the producers voting in the referendum vote against quotas, the Secretary also shall proclaim that poundage quotas will not be in effect with respect to the crop of peanuts produced in the calendar year immediately following the calendar year in which the referendum is held.

(p) For purposes of this part and title I of the Agricultural Act of 1949 (7 U.S.C. 1441 et seq.):

(1) The term "additional peanuts" means, for any marketing year—

(A) any peanuts that are marketed from a farm for which a farm poundage quota has been established and that are in excess of the marketings of quota peanuts from such farm for such year; and

(B) all peanuts marketed from a farm for which no farm poundage quota has been established in accordance with subsection (m).

(2) The term "crushing" means—

(A) the processing of peanuts to extract oil for food uses and meal for feed uses; or

(B) the processing of peanuts by crushing or otherwise when authorized by the Secretary.

(3) The term "domestic edible use" means use for milling to produce domestic food peanuts (other than those described in paragraph (2)) and seed and use on a farm, except that the Secretary may exempt from this definition seeds of peanuts that are used to produce peanuts excluded under section 359(c), are unique strains, and are not commercially available.

(4) The term "quota peanuts" means, for any marketing year, any peanuts produced on a farm having a farm poundage quota, as determined in subsection (m)—

(A) that are eligible for domestic edible use as determined by the Secretary;

(B) that are marketed or considered marketed from a farm; and

(C) that do not exceed the farm poundage quota of such farm for such year.

SALE, LEASE, OR TRANSFER OF FARM POUNDAGE QUOTA

SEC. 802. Effective only for the 1986 through 1991 crops of peanuts, subsections (i) and (j) of section 358a of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1358a (i) and (j)) are amended to read as follows:

(i)(1)(A) Subject to subparagraph (B), the owner, or the operator with permission of the owner, of any farm for which a farm poundage quota has been established under this Act may, subject to such terms, conditions, or limitations as the Secretary may prescribe, sell, or lease all or any part of such poundage quota to any other owner or operator of a farm within the same county for transfer to such farm.

(B) Such a lease of a poundage quota may be entered into after the normal planting season only—

(i) if the quota had been planted on the farm from which the quota is to be leased; and

(ii) under such terms and conditions as the Secretary may prescribe by regulation.

(2) The owner or operator of a farm may transfer all or any part of the farm poundage quota of such farm to any other farm owned or controlled by such owner or operator that is in the same county or in a county contiguous to such county in the same State and that had a farm poundage quota for the preceding year's crop.

(3) Notwithstanding the foregoing provisions of this subsection, in the case of any State for which the poundage quota allocated to the State was less than 10,000 tons for the preceding year's crop, all or any part of a farm poundage quota may be transferred by sale or lease or otherwise from a farm in one county to a farm in another county in the same State.

(j) Transfers (including transfer by sale or lease) of farm poundage quotas under this section shall be subject to the following conditions:

(1) No transfer of the farm poundage quota from a farm subject to a mortgage or other lien shall be permitted unless the transfer is agreed to by the lienholders.

(2) No transfer of the farm poundage quota shall be permitted if the county committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) determines that the receiving farm does not have adequate tillable cropland to produce the farm poundage quota.

(3) No transfer of the farm poundage quota shall be effective until a record thereof is filed with the county committee of the county to which such transfer is made and such committee determines that the transfer complies with this section.

(4) Such other terms and conditions that the Secretary may by regulation prescribe.

SALE LEASE AND TRANSFER OF PEANUT ACREAGE ALLOTMENTS

[Subsections (a) through (h) are inapplicable to the 1986 through 1989 crops of peanuts.]

SEC. 358a. (a) Notwithstanding any other provision of law for the 1968 and succeeding crop years, the Secretary, if he determines that it will not impair the effective operation of the peanut marketing quota or price support program, (1) may permit the owner and operator of any farm for which a peanut acreage allotment is established under this Act to sell or lease all or any part or the right to all or any part of such allotment to any other owner or operator of a farm in the same county for transfer to such farm; and (2) may permit the owner of a farm to transfer all or any part of such allotment to any other farm owned or controlled by him.

(b) Transfers under this section shall be subject to the following conditions: (1) no allotment shall be transferred to a farm in another county; (2) no transfer of an allotment from a farm subject to a mortgage or other lien shall be permitted unless the transfer is agreed to by the lienholders; (3) no sale of a farm allotment from a farm shall be permitted if any sale of allotment to the same farm has been made within the three immediately preceding crop years; (4) no transfer of allotment shall be effective until a record thereof is filed with the county committee of the county in which such transfer is made and such committee determines that the transfer complies with the provisions of this section; and (5) if the normal yield established by the county committee for the farm to which the allotment is transferred does not exceed the normal yield established by the county committee for the farm from which the allotment is transferred by more than 10 per centum, the lease or sale and transfer shall be approved acre for acre, but if the normal yield for the farm to which the allotment is transferred exceeds the normal yield for the farm from which the allotment is transferred by more than 10 per centum, the county committee shall make a downward adjustment in the amount of the acreage allotment transferred by multiplying the normal yield established for the farm from which the allotment is transferred by the acreage being transferred and dividing the result by the normal yield established for the farm to which the allotment is transferred: *Provided,* That in the event an allotment is transferred to a farm which at the time of such transfer is not irrigated, but within five years subsequent to such transfer is placed under irrigation, the Secretary shall also make an annual downward adjustment in the allotment so transferred by multiplying the normal yield established for the farm from which the allotment is transferred by the acreage being transferred and dividing the result by the actual yield for the previous year, adjusted for abnormal weather conditions, on the farm to which the allotment is transferred: Provided further, That, notwithstanding any other provision of this Act, the adjustment made in any peanut allotment because of the transfer to a higher producing farm shall not reduce or increase the size of any future National or State allotment and an acreage equal to the total of all such adjustment shall not be allotted to any other farms.

(c) The transfer of an allotment shall have the effect of transferring also the acreage history and maketing quota attributable to such allotment and if the transfer is made prior to the determination of the allotment for any year the transfer shall include the right of the owner or operator to have an allotment determined for the farm for such year: *Provided,* That in the case of a transfer by lease the amount of the allotment shall be considered, for the purpose of determining allotments after the expiration of the lease, to have been planted on the farm from which such allotment is transferred.

(d) The land in the farm from which the entire peanut allotment has been transferred shall not be eligible for a new farm peanut allotment during the five years following the year in which such transfer is made.

(e) Any lease may be made for such term of years not to exceed five as the parties thereto agree, and on such other terms and conditions except as otherwise provided in this section as the parties thereto agree.

(f) The lease of any part of a peanut acreage allotment determined for a farm shall not affect the allotment for the farm from which such allotment is transferred or the farm to which it is transferred, except with respect to the crop year or years specified in the lease. The amount of the acreage allotment which is leased from a farm shall be considered for purposes of determining future allotments to have been planted to peanuts on the farm from which such allotment is leased and the production pursuant to the lease shall not be taken into account in establishing allotments for subsequent years for the farm to which such allotment is leased. The lessor shall be considered to have been engaged in the production of peanuts for purposes of eligibility to vote in the referendum.

(g) The Secretary shall prescribe regulations for the admininstration of this section which may include reasonable limitation on the size of the resulting allotments on farms to which transfers are made and such other terms and conditions as he deems necessary, but the total peanut allotment transferred to any farm by sale or lease shall not exceed fifty acres.

(h) If the sale or transfer occurs during a period in which the farm is covered by a conservation reserve contract, corpland conversion agreement, or other similar land utilization agreement the rates of payment provided for in the contract or agreement of the farm from which the transfer is made shall be subject to an appropriate adjustment, but no adjustment shall be made in the contract or agreement of the farm to which the transfer is made.

MARKETING PENALITIES

[Subsections (a), (b), (d), and (e) are inapplicable to the 1986 through 1989 crops of peanuts.]

SEC. 359. (a) The marketing of any peanuts in excess of the marketing quota for the farm on which such peanuts are produced, or the marketing of peanuts from any farm for which no acreage allotment was determined, shall be subject to a penalty at a rate equal to 75 per centum of the price support for peanuts for the marketing year (August 1–July 31). Such penalty shall be paid by the person who buys or otherwise acquires the peanuts from the producer, or if the peanuts are marketed by the producer through an agent, the penalty shall be paid by such agent, and such person or agent may deduct an amount equivalent to the penalty from the price paid to the producer. The Secretary may require collection of the penalty upon a portion of each lot of peanuts marketed from the farm equal to the proportion which the acreage of peanuts in excess of the farm-acreage allotment is of the total acreage of peanuts on the farm. If the person required to collect the penalty fails to collect such penalty, such person and all persons entitled to share in the peanuts marketed from the farm or the proceeds thereof shall be jointly and severally liable for the amount of the penalty. All funds collected pursuant to this section shall be deposited in a special deposit account with the Treasurer of the United States and such amounts as are determined, in accordance with regulations prescribed by the Secretary, to be penalties incurred shall be transferred to the general fund of the Treasury of the United States. Amounts collected in excess of determined penalties shall be paid to such producers as the Secretary determines, in accordance with regulations prescribed by him, bore the burden of the payment of the amount collected. Such special account shall be administered by the Secretary and the basis for, the amount of, and the producer entitled to receive a payment from such account, when determined in accordance with regulations prescribed by the Secretary, shall be final and conclusive. Peanuts produced in a calendar year in which marketing quotas are in effect for the marketing year beginning therein shall be subject to such quotas even though the peanuts are marketed prior to the date on which such marketing year begins. If any producer falsely identifies or fails to account for the disposition of any peanuts, an amount of peanuts equal to the normal yield of the number of acres harvested in excess of the farm acreage allotment shall be deemed to have been marketed in excess of the marketing quota for the farm, and the penalty in respect thereof shall be paid and remitted by the producer. If any amount of peanuts produced on one farm is falsely identified by a representation that such peanuts were produced on another farm, the acreage allotments next established for both such farms shall be reduced by the percentage which such amount was of the respective farm marketing quotas, except that such reduction for any such farm shall not be made if the Secretary through the local committees finds that no person connected with such farm caused, aided, or acquiesced in such marketing; and if proof of the disposition of any amount of peanuts is not furnished as required by the Secretary, the acreage allotment next established for the farm on which such peanuts are produced shall be reduced by the percentage similarly computed. Notwithstanding any other provisions of this title, no refund of any penalty shall be made because of peanuts kept on the farm for seed or for home consumption.

(b) The provisions of this part shall not apply, beginning with the 1959 crop, to peanuts produced on any farm of which the acreage harvested for nuts is one acre or less provided the producers who share in the peanuts produced on such farm do not share in the peanuts produced on any other farm on which the acreage harvested for nuts is one acre or less also share in the peanuts produced on other farm(s) the peanuts produced on such farm on acreage in excess of the allotment, if any, determined for the farm shall be considered as excess acreage and the marketing penalties provided by section 359(a) shall apply.

(c) The word "peanuts" for the purposes of this Act shall mean all peanuts produced, excluding any peanuts which it is established by the producer or otherwise, in accordance with regulations of the Secretary, were not picked or threshed either before or after marketing from the farm, or were marketed by the producer before drying or removal of moisture from such peanuts either by natural or artifical means for consumption exclusively as boiled peanuts.

(d) The person liable for payment or collection of the penalty provided by this section shall be liable also for interest thereon at the rate of 6 per centum per annum from the date the penalty becomes due until the date of payment of such penalty.

(e) Until the amount of the penalty provided by this section is paid, a lien on the crop of peanuts with respect to which such penalty is incurred, and on any subsequent crop of peanuts subject to marketing quotas in which the person liable for payment of the penalty has an interest shall be in effect in favor of the United States.

(f)(1)(A) The marketing of any peanuts for domestic edible use in excess of the farm poundage quota for the farm on which such peanuts are produced shall be subject to penalty at a rate equal to 140 percent of the support price for quota peanuts for the marketing year in which such marketing occurs.

(B) For purposes for this section, the marketing year for peanuts shall be the 12-month period beginning on August 1 and ending on July 31.

(C) The marketing of any additional peanuts from a farm shall be subject to the same penalty unless such peanuts, in accordance with regulations established by the Secretary, are either—

(i) placed under loan at the additional loan rate in effect for such peanuts under section 108B of the Agricultural Act of 1949 and not redeemed by the producers;

(ii) marketed through an area marketing association designated pursuant to section 108B(c)(1) of the Agricultural Act of 1949; or

(iii) marketed under contracts between handlers and producers, pursuant to subsection (j).

(D)(i) Such penalty shall be paid—

(I) by the person who buys or otherwise acquires the peanuts from the producer; or

(II) if the peanuts are marketed by the producer through an agent, by such agent.

(ii) If a person or agent is required to pay a penalty under clause (i), such person or agent may deduct an amount equivalent to the penalty from the price paid to the producer.

(E) If the person required to collect the penalty fails to collect such penalty, such person and all persons entitled to share in the peanuts marketed from the farm or the proceeds thereof shall be jointly and severally liable for the amount of the penalty.

(F) Peanuts produced in a calendar year in which farm poundage quotas are in effect for the marketing year beginning therein shall be subject to such quotas even though the peanuts are marketed prior to the date on which such marketing year begins.

(G) If any producer falsely identifies or fails to certify planted acres or fails to account for the disposition of any peanuts produced on such planted acres, a quantity of peanuts equal to the average yield of the farm, as determined under section 358(n), times the

planted acres, shall be deemed to have been marketed in violation of permissible uses of quota and additional peanuts. The penalty in respect thereof shall be paid and remitted by the producer.

(2)(A) The Secretary shall authorize, under such regulations as the Secretary shall prescribe, the county committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) to waive or reduce marketing penalties provided for under this subsection in cases in which such committees determine that the violations that were the basis of the penalties were unintentional or without knowledge on the part of the parties concerned.

(B) Errors in weight that do not exceed one-tenth of 1 percent in the case of any one marketing document shall not be considered marketing violations except in cases of fraud or conspiracy.

(g)(1) Only quota peanuts may be retained for use as seed or for other uses on a farm.

(2) Peanuts retained under paragraph (1) shall be considered as marketings of quota peanuts, except that the Secretary may exempt from consideration as marketings of quota peanuts seeds of peanuts that are used to produce peanuts excluded under subsection (c), are unique strains, and are not commercially available.

(3) Additional peanuts shall not be retained for use on a farm and shall not be marketed for domestic edible use, except as provided in subsection (k).

(4) Seed for planting of any peanut acreage in the United States shall be obtained solely from quota peanuts marketed or considered marketed for domestic edible use.

(h) On a finding by the Secretary that the peanuts marketed from any crop for domestic edible use by a handler are larger in quantity or higher in grade or quality than the peanuts that could reasonably be produced from the quantity of peanuts having the grade, kernel content, and quality of the quota peanuts acquired by such handler from such crop for such marketing, such handler shall be subject to a penalty equal to 140 percent of the loan level for quota peanuts on the quantity of peanuts that the Secretary determines are in excess of the quantity, grade, or quality of the peanuts that could reasonably have been produced from the peanuts so acquired.

(i)(1) Except as provided in paragraph (2), the Secretary shall require that the handling and disposal of additional peanuts be supervised by agents of the Secretary or by area marketing associations designated pursuant to section 108B(c)(1) of the Agricultural Act of 1949.

(2)(A) Supervision of the handling and disposal of additional peanuts contracted by a handler shall not be required under paragraph (1) if the handling and disposal of such peanuts is conducted in the manner prescribed in reguations issued by the Secretary.

(B) The regulations issued by the Secretary under subparagraph (A) shall permit handlers of milled peanuts to export peanuts classified by type without physical supervision under paragraph (1) in quantities described in subparagraph (C).

(C) Such regulations shall permit handlers of milled peanuts of a crop to export—

(i) sound split kernel peanuts, in a quantity equal to twice the pounds of such peanuts purchased by the handlers as additional peanuts;

(ii) sound mature kernel peanuts, in a quantity equal to the pounds of such peanuts purchased by the handler as additional peanuts less the quantity of sound split kernels purchased by the handler; and

(iii) the remaining quantity of total kernel content of such peanuts purchased by the handler as additional peanuts and not crushed domestically.

(D)(i) Any additional peanuts exported without physical supervision under subparagraph (B) shall be evidenced by onboard bills of ladings or other appropriate documentation as may be required by the Secretary, or both.

(ii) The obligation of a handler to export peanuts in quantities described in subparagraph (C) shall be reduced by a reasonable shrinkage allowance to be determined by the Secretary.

(iii) The Secretary shall require adequate financial guarantees, as well as evidence of adequate facilities and assets, in order to assure compliance with the obligation of the handler to export peanuts.

(iv) If a handler suffers a loss of peanuts as a result of fire, flood, or other condition beyond the control of the handler, the portion of such loss allocated to contracted additional peanuts shall not be greater than the portion of the total purchases of the handler for the year attributable to contracted additional peanuts purchased for export by the handler during such year.

(3) Quota and additional peanuts of like type and segregation or quality may, under regulations prescribed by the Secretary, be commingled and exchanged on a dollar value basis to facilitate warehousing, handling, and marketing.

(4)(A) The failure by a handler to comply with regulations issued by the Secretary governing the disposition and handling of additional peanuts shall subject the handler to a penalty at a rate equal to 140 percent of the loan level for quota peanuts on the quantity of peanuts involved in the violation.

(B) The amount of any penalty imposed on a handler under this subsection that resulted from the failure to export contracted additional peanuts shall not be reduced by the Secretary under subsection (1)(5).

(C) A handler shall not be subject to a penalty for failure to export additional peanuts if such peanuts were not delivered to the handler.

(5) If any additional peanuts exported by a handler should reenter the United States in commercial quantities as detemined by the Secretary, the importer thereof shall be subject to a penalty at a rate equal to 140 percent of the loan level for quota peanuts on the quantity of peanuts involved in the reentry.

(j)(1) Handlers may, under regulations prescribed by the Secretary, contract with producers for the purchase of additional peanuts for crushing, export, or both.

(2) All such contracts shall be completed and submitted to the Secretary (or if designated by the Secretary, the area marketing association) for approval prior to August 1 of the year in which the crop is produced.

(3) Each such contract shall contain—

(A) the final price to be paid by the handler for the peanuts involved; and

(B) a specific prohibition against the disposition of such peanuts for domestic edible or seed use.

(k)(1) Subject to section 407 of the Agricultural Act of 1949 (7 U.S.C. 1427), any peanuts owned or controlled by the Commodity Credit Corporation may be made available for domestic edible use in accordance with regulations established by the Secretary.

(2) Additional peanuts received under loan shall be offered for sale for domestic edible use at prices not less than those required to cover all costs incurred with respect to such peanuts for such items as inspection, warehousing, shrinkage, and other expenses, plus—

(A) not less than 100 percent of the loan value of quota peanuts, if the additional peanuts are sold and paid for during the harvest season on delivery by and with the written consent of the producer;

(B) not less than 105 percent of the loan value of quota peanuts, if the additional peanuts are sold after delivery by the producer by not later than December 31 of the marketing year; or

(C) not less than 107 percent of the loan value of quota peanuts if the additional peanuts are sold later than December 31 of the marketing year.

(3) For the period from the date additional peanuts are delivered for loan to March 1 of the calendar year following the year in which such additional peanuts were harvested, the area marketing association designated pursuant to section 108B(c)(1) of the Agricultural Act of 1949 shall have sole authority to accept or reject lot list bids when the sales price as determined under this section equals or exceeds the minimum price at which the Commodity Credit Corporation may sell its stocks of additional peanuts, except that the area marketing association and the Commodity Credit Corporation may agree to modify the authority granted by this paragraph to facilitate the orderly marketing of additional peanuts.

(l)(1) The person liable for payment or collection of any penalty provided for in this section shall be liable also for interest thereon at a rate per annum equal to the rate of interest that was charged the Commodity Credit Corporation by the Treasury of the United States on the date such penalty became due.

(2) This section shall not apply to peanuts produced on any farm on which the acreage harvested for nuts is 1 acre or less if the producers who share in the peanuts produced on such farm do not share in the peanuts produced on any other farm.

(3) Until the amount of the penalty provided by this section is paid, a lien on the crop of peanuts with respect to which such penalty is incurred, and on any subsequent crop of peanuts subject to farm poundage quotas in which the person liable for payment of the penalty has an interest, shall be in effect in favor of the United States.

(4)(A) Notwithstanding any other provision of law, the liability for and the amount of any penalty assessed under this section shall be determined in accordance with such procedures as the Secretary by regulations may prescribe.

(B) The facts constituting the basis for determining the liability for or amount of any penalty assessed under this section, when officially determined in conformity with the applicable regulations pre-

scribed by the Secretary, shall be final and conclusive and shall not be reviewable by any other officer or agency of the Federal Government.

(C) Nothing in this section shall be construed as prohibiting any court of competent jurisdiction from reviewing any determination made by the Secretary with respect to whether such determination was made in conformity with the applicable law and regulations.

(D) All penalties imposed under this section shall for all purposes be considered civil penalties.

(5) Except as otherwise provided in subsection (i)(4) and notwithstanding any other provision of law, the Secretary may reduce the amount oif any penalty assessed against handlers under this section if the Secretary finds that—

(A) the violation on which the penalty is based was minor or inadvertent; and

(B) the reduction of the penalty will not impair the operation of the peanut program.

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SUBTITLE C—ADMINISTRATIVE PROVISIONS

Part I—Publication and Review of Quotas*

SEC. 361. This part shall apply to the publication and review of farm marketing quotas established for tobacco, corn, wheat, cotton, peanuts, and rice, established under subtitle B.

PUBLICATION AND NOTICE OF QUOTA

SEC. 362. All acreage allotments, and the farm marketing quotas established for farms in a county or other local administrative area shall, in accordance with regulations of the Secretary, be made and kept freely available for public inspection in such county or other local administrative area. An additional copy of this information shall be kept available in the office of the county agricultural extension agent or with the chairman of the local committee. Notice of the farm marketing quota of his farm shall be mailed to the farmer.

Notice of the farm acreage allotment established for each farm shown by the records of the county committee to be entitled to such allotment shall insofar as practicable be mailed to the farm operator in sufficient time to be received prior to the date of the referendum.

REVIEW BY REVIEW COMMITTEE

SEC. 363. Any farmer who is dissatisfied with his farm marketing quota may, within fifteen days after mailing to him of notice as provided in section 362, have such quota reviewed by a local review committee composed of three farmers from the same or nearby counties appointed by the Secretary. Such committee shall not include any member of the local committee which determined the farm acreage allotment, the normal yield, or the farm marketing quota for such farm. Unless application for review is made within such period, the original determination of the farm marketing quota shall be final.

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*Part I of subtitle C of title III of The Agricultural Adjustment Act of 1938 is inapplicable for the 1986 through 1989 crops of peanuts.

REVIEW COMMITTEE

SEC. 364. The members of the review committee shall receive as compensation for their services the same per diem as that received by the members of the committee utilized for the purpose of the Soil Conservation and Domestic Allotment Act, as amended. The members of the review committee shall not be entitled to receive compensation for more than thirty days in any one year.

INSTITUTION OF PROCEEDINGS

SEC. 365. If the farmer is dissatisfied with the determination of the review committee, he may, within fifteen days after a notice of such determination is mailed to him by registered mail or by certified mail, file a bill in equity against the review committee as defendant in the United States district court, or institute proceedings for review in any court of the State having general jurisdiction, sitting in the county or the district in which his farm is located, for the purpose of obtaining a review of such determination. Bond shall be given in an amount and with surety satisfactory to the court to secure the United States for the costs of the proceeding. The bill of complaint in such proceeding may be served by delivering a copy thereof to any one of the members of the review committee. Thereupon the review committee shall certify and file in the court a transcript of the record upon which the determination complained of was made, together with its findings of fact.

COURT REVIEW

SEC. 366. The review by the court shall be limited to questions of law, and the findings of fact by the review committee, if supported by evidence, shall be conclusive. If application is made to the court for leave to adduce additional evidence, and it is shown to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the hearing before the review committee, the court may direct such additional evidence to be taken before the review committee in such manner and upon such terms and conditions as to the court may seem proper. The review committee may modify its findings of fact or its determination by reason of the additional evidence so taken, and it shall file with the court such modified findings or determination, which findings of fact shall be conclusive. At the earliest convenient time, the court, in term time or vacation, shall hear and determine the case upon the original record of the hearings before the review committee and upon such record as supplemented if supplemented, by further hearing before the review committee pursuant to direction of the court. The court shall affirm the review committee's determination, or modified determination, if the court determines that the same is in accordance with law. If the court determines that such determination or modified determination is not in accordance with law, the court shall remand the proceeding to the review committee with direction either to make such determination as the court shall determine to be in accordance with law or to take such further proceedings as, in the court's opinion, the law requires.

STAY OF PROCEEDINGS AND EXCLUSIVE JURISDICTION

SEC. 367. The commencement of judicial proceedings under this part shall not, unless specifically ordered by the court, operate as a stay of the review committee's determination. Notwithstanding any other provision of law, the jurisdiction conferred by this part to review the legal validity of a determination made by a review committee pursuant to this part shall be exclusive. No court of the United States or of any State shall have jurisdiction to pass upon the legal validity of any such determination except in a proceeding under this part.

NO EFFECT ON OTHER QUOTAS

SEC. 368. Notwithstanding any increase of any farm marketing quota for any farm as a result of review of the determination thereof under this part, the marketing quotas for other farms shall not be affected.

Part II—Adjustment of Quotas and Enforcement*

GENERAL ADJUSTMENTS OF QUOTAS

SEC. 371. (a) If at any time the Secretary has reason to believe that in the case of cotton, rice, peanuts, or tobacco the operation of farm marketing quotas in effect will cause the amount of such commodity which is free of marketing restrictions to be less than the normal supply for the marketing year for the commodity then current, he shall cause an immediate investigation to be made with respect thereto. In the course of such investigation due notice and opportunity for hearing shall be given to interested persons. If upon the basis of such investigation the Secretary finds the existence of such fact, he shall proclaim the same forthwith. He shall also in such proclamation specify such increase in, or termination of, existing quotas as he finds, on the basis of such investigation, is necessary to make the amount of such commodity which is free of marketing restrictions equal to the normal supply.

(b) If the Secretary has reason to believe that, because of a national emergency or because of a material increase in export demand, any national marketing quota or acreage allotment for cotton, rice, peanuts or tobacco should be increased or terminated, he shall cause an immediate investigation to be made to determine whether the increase or termination is necessary to meet such emergency or increase in export demand. If, on the basis of such investigation, the Secretary finds that such increase or termination is necessary, he shall immediately proclaim such finding (and if he finds an increase is necessary, the amount of the increase found by him to be necessary) and thereupon such quota or allotment shall be increased, or shall terminate, as the case may be.

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*Not applicable for the 1986 through 1989 crops of peanuts.

(c) In case any national marketing quota or acreage allotment for any commodity is increased under this section, each farm marketing quota or acreage allotment for the commodity shall be increased in the same ratio.

(d) * * *

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REPORTS AND RECORDS

SEC. 373. (a) This subsection shall apply to warehousemen, processors, and common carriers of corn, wheat, cotton, rice, peanuts, or tobacco, and all ginners of cotton, all persons engaged in the business of purchasing corn, wheat, cotton, rice, peanuts, or tobacco from producers, all persons engaged in the business of redrying, prizing, or stemming tobacco for producers, all farmers engaged in the production of peanuts, *all producers engaged in the production of peanuts,* all brokers and dealers in peanuts, agents marketing peanuts for producers, or acquiring peanuts for buyers and dealers, and all peanut growers' cooperative associations, all persons engaged in the business of cleaning, shelling, crushing, and salting of peanuts and the manufacture of peanut products, and all persons owning or operating peanut-picking or peanut-threshing machines. Any such person shall, from time to time on request of the Secretary, report to the Secretary such information and keep such records as the Secretary finds to be necessary to enable him to carry out the provisions of this title. Such information shall be reported and such records shall be kept in accordance with forms which the Secretary shall prescribe. For the purpose of ascertaining the correctness of any report made or record kept, or of obtaining information required to be furnished in any report, but not so furnished, the Secretary is hereby authorized to examine such books, papers, records, accounts, correspondence, contracts, documents, and memoranda as he has reason to believe are relevant and are within the control of such person. Any such person failing to make any report or keep any record as required by this subsection of making any false report or record shall be deemed guilty of a misdemeanor and upon conviction thereof shall be subject to a fine of not more than $500; and any tobacco warehouseman or dealer who fails to remedy such violation by making a complete and accurate report or keeping a complete and accurate record as required by this subsection within fifteen days after notice to him of such violation shall be subject to an additional fine of $100 for each ten thousand pounds of tobacco, or fraction thereof, bought or sold by him after the date of such violation: *Provided,* That such fine shall not exceed $5,000; and notice of such violation shall be served upon the tobacco warehouseman or dealer by mailing the same to him by registered mail or by certified mail or by posting the same at any established place of business operated by him, or both.

(b) Farmers engaged in the production of corn, wheat, cotton, rice, peanuts, or tobacco for market shall furnish such proof of their acreage, yield, storage, and marketing of the commodity in the form of records, marketing cards, reports, storage under seal, or otherwise as the Secretary may prescribe as necessary for the administration of this title.

(c) All data reported to or acquired by the Secretary pursuant to this section shall be kept confidential by all officers and employees of the Department, and only such data so reported or acquired as the Secretary deems relevant shall be disclosed by them, and then only in a suit or administrative hearing under this title. Nothing in this section shall be deemed to prohibit the issuance of general statements based upon the reports of a number of parties which statements do not identify the information furnished by any person.

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AGRICULTURAL ACT OF 1949

AN ACT To stabilize prices of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1949."

TITLE I—BASIC AGRICULTURAL COMMODITIES

[Sec. 101 is inapplicable to the 1986 through 1989 crops of peanuts.]

SEC. 101. The Secretary of Agriculture (hereinafter called the "Secretary") is authorized and directed to make available through loans, purchases, or other operations, price support to cooperators for any crop of any basic agricultural commodity, if producers have not disapproved marketing quotas for such crop, at a level not in excess of 90 per centum of the parity price of the commodity nor less than the level provided in subsection (a), (b), and (c) as follows:

(a) For tobacco (except as otherwise provided herein), corn, and wheat, if the supply percentage as of the beginning of the marketing year is:

	The level of support shall be not less than the following percentage of the parity price:
Not more than 102	90
More than 102 but not more than 104	89
More than 104 but not more than 106	88
More than 106 but not more than 108	87
More than 108 but not more than 110	86
More than 110 but not more than 112	85
More than 112 but not more than 114	84
More than 114 but not more than 116	83
More than 116 but not more than 118	82
More than 118 but not more than 120	81
More than 120 but not more than 122	80
More than 122 but not more than 124	79
More than 124 but not more than 126	78
More than 126 but not more than 128	77
More than 128 but not more than 130	76
More than 130	75

For rice of the 1959 and 1960 crops, the level of support shall be not less than 75 per centum of the parity price. For rice of the 1961 crop the level of support shall be not less than 70 per centum of the parity price. For the 1962 and subsequent crops of rice the level of support shall be not less than 65 per centum of the parity price.

(b) For cotton and peanuts, if the supply percentage as of the beginning of the marketing year is:

	The level of support shall be not less than the following percentage of the parity price:
Not more than 108	90
More than 108 but not more than 110	89
More than 110 but not more than 112	88
More than 112 but not more than 114	87
More than 114 but not more than 116	86
More than 116 but not more than 118	85
More than 118 but not more than 120	84
More than 120 but not more than 122	83
More than 122 but not more than 124	82
More than 124 but not more than 125	81
More than 125 but not more than 126	80
More than 126 but not more than 127	79
More than 127 but not more than 128	78
More than 128 but not more than 129	77
More than 129 but not more than 130	76
More than 130	75

(c) For tobacco, if marketing quotas are in effect, the level of support shall be 90 per centum of the parity price.

(d) Notwithstanding the foregoing provisions of this section—

(1) [Applicable only to 1950 crops.]

(2) [Applicable only to 1951 crops.]

(3) the level of price support to cooperators for any crop of a basic agricultural commodity, except tobacco, for which marketing quotas have been disapproved by producers shall be 50 per centum of the parity price of such commodity; and no price support shall be made available for any crop of tobacco for which marketing quotas have been disapproved by producers;

(4) * * *

(5) price support may be made available to noncooperators at such levels, not in excess of the level of price support to cooperators, as the Secretary determines will facilitate the effective operation of the program;

(6) * * *

(7) where a State is designated under section 335(e) of the Agricultural Adjustment Act of 1938, as amended, as outside the commercial wheat-producing area for any crop of wheat, the level of price support for wheat to cooperators in such State for such

crop of wheat shall be 75 per centum of the level of price support to cooperators in the commercial wheat-producing area.

(e) * * *

(f) * * *

(g) * * *

(h) * * *

[Subsec. (i) is effective only for the 1982 through 1985 crops of rice.]

(i) Notwithstanding any other provision of law—

(1) The Secretary shall make available to producers in the several States of the United States loans and purchases for each of the 1982 through 1985 crops of rice at such level as bears the same ratio to the loan level for the preceding year's crop as the established price for each such crop bears to the established price for the preceding year's crop. If the Secretary determines that loans and purchases at the foregoing level for any of the 1982 through 1985 crops would substantially discourage the exportation of rice and result in excessive stocks of rice in the United States, the Secretary may, notwithstanding the foregoing provisions of this paragraph, establish loans and purchases for any such crop at such level, not less than $8 per hundredweight, as the Secretary determines necessary to avoid such consequences: *Provided,* That the loan and purchase level for the succeeding crop shall be established on the basis of the loan and purchase level established for the preceding crop year before the application of this sentence. The loan and purchase level and the established price for each of the 1982 through 1985 crops of rice shall be announced not later than March 1 of each calendar year for the crop harvested in that calendar year.

(2)(A) In addition, the Secretary shall make available to producers payments for each of the 1982 through 1985 crops of rice grown in the several States of the United States in an amount computed as provided in this paragraph. Payments for each such crop of rice shall be computed by multiplying (i) the payment rate, by (ii) the farm program acreage for the crop, by (iii) the yield established for the farm. In no event shall payments be made under this paragraph for any crop on a greater acreage than the acreage actually planted to rice.

(B) The payment rate for rice shall be the amount by which the established price for the crop of rice exceeds the higher of—

(i) the national average market price received by farmers during the first five months of the marketing year for such crop, as determined by the Secretary, or

(ii) the loan level determined under paragraph (1) for such crop.

(C) The established price for rice shall be not less than $10.85 per hundredweight for the 1982 crop, $11.40 per hundredweight for the 1983 crop, and $11.90 per hundredweight for the 1984 and 1985 crops. Any such established price may be adjusted by the Secretary as the Secretary determines to be appropriate to reflect any change in (i) the average adjusted cost of production per acre for the two crop years immediately preceding the year for which the determination is made from (ii) the average adjusted cost of production per acre for the two crop years immediately preceding the year previous to the one for which the determination is made. The adjusted cost of production for each of such years may be determined by the Secretary on the basis of such information as the Secretary finds necessary and appropriate for the purpose and may include variable costs, machinery ownership costs, and general farm overhead costs, allocated to the crops involved on the basis of the proportion of the value of the total production derived from each crop.

(D) The yield established for the farm for any year shall be determined on the basis of the actual yields per harvested acre for the three preceding years. The actual yields shall be adjusted by the Secretary for abnormal yields in any year caused by drought, flood, other natural disaster, or other condition beyond the control of the producers. If no rice was produced on the farm during such period, the yield shall be determined taking into consideration the yield of comparable farms in the surrounding area and such other factors as the Secretary determines will produce a fair and equitable yield.

(E) The total quantity on which payments would otherwise be payable to a producer on a farm for any crop under this paragraph shall be reduced by the quantity on which any disaster payment is made to the producer for the crop under paragraph (3) of this subsection.

(3)(A) Except as provided in subparagraph (C) of this paragraph, if the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for rice to rice or other nonconserving crops because of drought, flood or other natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers on the number of acres so affected but not to exceed the acreage planted to rice for harvest (including any acreage which the producers were prevented from planting to rice or other nonconserving crop in lieu of rice because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year, multiplied by 75 per centum of the yield established for the farm times a payment rate equal to 33⅓ per centum of the established price for the crop.

(B) Except as provided in subparagraph (C) of this paragraph, if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of rice which the producers are able to harvest on any farm is less than the result of multiplying 75 per centum of the yield estabished for the farm for such crop by the acreage planted for harvest for such crop, the Secretary shall make a reduced yield disaster payment to producers at a rate equal to 33⅓ per centum of the established price for the crop for the deficiency in production below 75 per centum for the crop.

(C) Producers on a farm shall not be eligible for disaster payments under this paragraph if crop insurance is available to them under the Federal Crop Insurance Act with respect to their rice acreage.

(D) Notwithstanding the provisions of subparagraph (C) of this paragraph, the Secretary may make disaster payments to producers on a farm under this paragraph whenever the Secretary determines that—

(i) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, producers on a farm have suffered substantial losses of production either from being prevented from planting rice or other nonconserving crop or from reduced yields and that such losses have created as economic emergency for the producers;

(ii) Federal crop insurance indemnity payments and other forms of assistance made available by the Federal Government to such producers for such losses are insufficient to alleviate such economic emergency, or no crop insurance covered the loss because of transitional problems attendant to the Federal crop insurance program; and

(iii) additional assistance must be made available to such producers to alleviate the economic emergency.

The Secretary may make such adjustments in the amount of payments made available under this subparagraph with respect to individual farms so as to assure the equitable allotment of such payments among producers taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

(4)(A) The Secretary shall proclaim a national program acreage for each of the 1982 through 1985 crops of rice. The proclamation shall be made not latter than January 31 of each calendar year for the crop harvested in that calendar year. The Secretary may revise the national program acreage first proclaimed for any crop year for the purpose of determining the allocation factor under subparagraph (B) of this paragraph if the Secretary determines a revision necessary based upon the lastest information, and the Secretary shall proclaim such revised national program acreage as soon as it is made. The national program acreage for rice shall be the number of harvested acres the Secretary determines (on the basis of the weighted national average of the farm established yields for the crop for which the determination is made) will produce the quantity (less imports) that the Secretary estimates will be utilized domestically and for export during the marketing year for such crop. If the Secretary determines that carryover stocks of rice are excessive or an increase in stocks is needed to assure desirable carryover, the Secretary may adjust the national program acreage by the amount the Secretary determines will accomplish the desired increase or decrease in carryover stocks.

(B) The Secretary shall determine a program allocation factor for each crop of rice. The allocation factor for rice shall be determined by dividing the national program acreage for the crop by the number of acres that the Secretary estimates will be harvested for such crop. In no event may the allocation factor for any crop of rice be more than 100 per centum nor less than 80 per centum.

(C) The individual farm program acreage for each crop of rice shall be determined by multiplying the allocation factor by the acreage of rice planted for harvest on the farms for which individual farm program acreages are required to be determined. The farm program acreage shall not be further reduced by application of the allocation factor if the producers reduce the acreage of rice planted for harvest on the farm from the acreage base established for the farm under paragraph (5)(A) of this subsection by at least the percentage recommended by the Secretary in the proclamation of the national program acreage. The Secretary shall provide fair and equitable treatment for producers on farms on which the acreage of rice planted for harvest is less than the acreage base established for the farm under paragraph (5)(A) of this subsection, but for which the reduction is insufficient to exempt the farm from the application of the allocation factor. In establishing the allocation factor for rice, the Secretary may make such adjustment as the Secretary deems necessary to take into account the extent of exemption of farms under the foregoing provisions of this paragraph.

(5)(A) Notwithstanding any other provision of law, except as provided in the third, fourth, and fifth sentences of this paragraph, the Secretary may establish a limitation on the acreage planted to rice if the Secretary determines that the total supply of rice, in the absence of such limitation, will be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency. Any such limitation shall be announced by the Secretary not later than January 31 of the calendar year in which the crop for which the announcement is made is harvested. For the 1983 crop of rice, the Secretary shall provide for a combination of (i) an acreage limitation program as described under this subparagraph and (ii) a diversion program as described under subparagraph (B) under which the acreage planted to rice for harvest on the farm would be limited to the acreage base for the farm reduced by a total of 20 per centum, consisting of a reduction of 15 per centum under the acreage limitation program and a reduction of 5 per centum under the diversion program. For the 1985 crop of rice, if the Secretary estimates that the quantity of rice on hand in the United States on July 31, 1985 (not including any quantity of rice produced in the United States during calendar year 1985), will exceed twenty-five million hundredweight, the Secretary shall provide for a combination of an acreage limitation program as described under this subparagraph and a land diversion program as described under subparagraph (B) under which the acreage planted to rice for harvest on the farm would be limited to the acreage base for the farm reduced by a total of not less than 25 per centum, consisting of a reduction of 20 per centum under the acreage limitation program and a reduction under the land diversion program equal to the difference between the total reduction for the farm and the 20 per centum reduction under the acreage limitation program. As a condition of eligibility for loans, purchases, and payments on the 1983 and 1985 crops producers on a farm must comply with the terms and conditions of the combined acreage limitation and diversion program. Such limitation shall be achieved by applying a uniform percentage reduction to the acreage base for each rice-producing farm. Producers who knowingly produce rice in excess of the permitted rice acreage for the farm shall be ineligible for rice loans, purchases, and payments with respect to that farm. The acreage base for any farm for the purpose of determining any reduction required to be made for any year as the result of a limitation under this subparagraph shall be the acreage planted on the farm to rice for harvest in the crop year immediately preceding the year for which the determination is made or, at the discretion of the Secretary, the average acreage planted to rice for harvest in the two crop years immediately preceding the year for which the determination is made. For the purpose of the preceding sentence, acreage planted to rice for harvest shall include any acreage which the producers were prevented from planting to rice or other nonconserving crop in lieu of rice because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. The Secretary may make adjustments to reflect established crop-rotation practices and to reflect such other factors as the Secretary determines should be considered in determining a fair and equitable base. Notwithstanding any other provision of this subparagraph, the acreage base to be used for the farm under the program for the 1983 crop of rice shall be the same as the acreage base applicable to the farm under the acreage limitation program for the 1982 crop, adjusted to reflect established crop-rotation practices and to reflect such other factors as the Secretary determines should be considered in determining a fair and equitable base. A number of acres on the farm determined by dividing (i) the product obtained by multiplying the number of acres required to be withdrawn from the production of rice times the number of acres actually planted to rice, by (ii) the number of acres authorized to be planted to rice under the limitation established by the Secretary shall be devoted to conservation uses, in accordance with regulations issued by the Secretary, which will assure protection of such acreage from weeds and wind and water erosion. The number of acres so determined is hereafter in this subsection referred to as "reduced acreage." The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of the reduced acreage to be devoted to sweet sorghum, hay and grazing or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodity, if the Secretary determines that such production is needed to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely. If an acreage limitation program is announced under this paragraph for a crop of rice, paragraph (4) of this subsection shall not be applicable to such crop, including any prior announcement which may have been made under such paragraph with respect to such crop. The individual farm program acreage shall be the acreage planted on the farm to rice for harvest within the permitted rice acreage for the farm as established under this paragraph.

(B) The Secretary may make land diversion payments to producers of rice, whether or not an acreage limitation for rice is in effect, if the Secretary determines that such land diversion payments are necessary to assist in adjusting the total national acreage of rice to desirable goals. Such land diversion payments shall be made to producers who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in accordance with land diversion contracts entered into by the Secretary with such producers. The amounts payable to producers under land diversion contracts may be determined through the submission of bids for such contracts by producers in such manner as the Secretary may prescribe or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producer and the productivity of the acreage diverted. The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to affect adversely the economy of the county or local community. Notwithstanding the foregoing provision of this subparagraph, the Secretary shall implement a land diversion program for the 1983 crop of rice under which the Secretary shall make crop retirement and conservation payments to any producer of the 1983 crop of rice whose acreage planted to rice for harvest on the farm is reduced so that it does not exceed the rice acreage base for the farm less an amount equivalent to 5 per centum of the rice acreage base in addition to the reduction required under subparagraph (A), and the producer devotes to approved conservation uses an acreage of cropland equivalent to the reduction required from the rice acreage base under this subparagraph. Notwithstanding the foregoing provisions of this subparagraph, if the Secretary implements a land diversion program for the 1985 crop of rice under the provisions of subparagraph (A), the Secretary shall make crop retirement and conservation payments to any producer of the 1985 crop of rice whose acreage planted to rice for harvest on the farm is reduced so that it does not exceed the rice acreage base for the farm less an amount equivalent to the percentage of the acreage base specified by the Secretary, but not less than 5 per centum, in addition to the reduction required under the acreage limitation program under subparagraph (A), and who devoted to approved conservation uses an acreage of cropland equivalent to the reduction required from the rice acreage base under this subparagraph. Diversion payments made to producers under this subparagraph shall be made in an amount computed by multiplying (i) the diversion payment rate, by (ii) the farm program payment yield for the crop, by (iii) the additional acreage diverted under this subparagraph. The diversion payment rate shall be established by the Secretary at not less than $3.00 per hundredweight for the 1983 crop of rice, except that the rate may be reduced up to 10 per centum if the Secretary determines that the same program objective could be achieved with the lower rate and at not less than $2.70 per hundredweight for the 1985 crop of rice: *Provided,* That if the Secretary estimates that the quantity of rice on hand in the United States on July 31, 1985 (not including any quantity of rice produced in the United States during calendar year 1985), will exceed (I) thirty-five million hundredweight, such rate shall be established by the Secretary at not less than $3.25 per hundredweight, and (II) forty-two million five hundred thousand hundredweight, such rate shall be established by the Secretary at not less than $3.50 per hundredweight. The Secretary shall make not less than 50 per centum of any payments under this subparagraph to producers of the 1983 and 1985 crops as soon as practicable after a producer enters into a land diversion contract with the Secretary and in advance of any determination of performance, but in no case prior to October 1, 1982. If a producer fails to comply with a land diversion contract after obtaining an advance payment under this subparagraph, the producer shall repay the advance immediately and, in accordance with regulations issued by the Secretary, pay interest on the advance.

(C) The reduced acreage and the additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of the foregoing sentence. The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm, as the Secretary may prescribe, by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(D) An operator of a farm desiring to participate in the program conducted under this paragraph shall execute an agreement with the Secretary providing for such participation not later than such date as the Secretary may prescribe. The Secretary may, by mutual agreement with the producers on the farm, terminate or modify any such agreement if the Secretary determines such action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities.

(6) The Secretary shall provide for the sharing of payments made under this subsection for any farm among the producers on the farm on a fair and equitable basis.

(7) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

(8) If the failure of a producer to comply fully with the terms and conditions of the program formulated under this subsection precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make such loans, purchases, and payments in such amounts as the Secretary determines to be equitable in relation to the seriousness of the failure. The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet such other requirements does not affect adversely the operation of the program.

(9) The Secretary may issue such regulations as the Secretary determines necessary to carry out the provisions of this subsection.

(10) The Secretary shall carry out the program authorized by this subsection through the Commodity Credit Corporation.

(11) The provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act (relating to assignment of payments) shall apply to payments under this subsection.

(12) Notwithstanding any other provision of law, compliance on a farm with the terms and conditions of any other commodity program may not be required as a condition of eligibility for loans, purchases, or payments under this subsection.

* * * * * * *

SEC. 108A. * * *

SEC. 108B. Notwithstanding any other provision of law:

(a)(1) The Secretary shall make price support available to producers through loans, purchases, or other operations on quota peanuts for each of the 1986 through 1991 crops.

(2) The national average quota support rate for the 1986 crop of quota peanuts shall be the same as the national average support rate established for the 1985 crop of quota peanuts, adjusted by the Secretary to reflect the percentage increase in the prices paid by producers for commodities and services, interest, taxes, and farm wage rates during the 1981 through 1985 calendar years, as determined by the Secretary.

(3) The national average quota support rate for each of the 1987 through 1991 crops of quota peanuts shall be the national average quota support rate for such peanuts for the preceding crop, adjusted to reflect any change, during the calendar year immediately preceding the marketing year for the crop for which a level of support is being detemined, in the national average cost of production, excluding any change in the cost of land, except that in no event shall the national average quota support rate for any such crop—

(A) exceed by more than 6 percent the national average quota support rate for the preceding crop; or

(B) be less than the national average quota support rate for the 1985 crop of quota peanuts.

(4) The levels of support so announced shall not be reduced by any deductions for inspection, handling, or storage, except that the Secretary may make adjustments for location of peanuts and such other factors as are authorized by section 403.

(5) The Secretary shall announce the level of support for quota peanuts of each crop not later than February 15 preceding the marketing year for the crop for which the level of support is being determined.

(b)(1) The Secretary shall make price support available to producers through loans, purchases, or other operations on additional peanuts for each of the 1986 through 1991 crops at such levels as the Secretary finds appropriate, taking into consideration the demand for peanut oil and peanut meal, expected prices of other vegetable oils an protein meals, and the demand for peanuts in foreign markets. The Secretary shall set the support rate on additional peanuts at a level estimated by the Secretary to ensure that there are no losses to the Commodity Credit Corporation on the sale or disposal of such peanuts.

(2) The Secretary shall announce the level of support for additional peanuts of each crop not later than February 15 preceding the marketing year for the crop for which the level of support is being determined.

(c)(1)(A) In carrying out subsections (a) and (b), the Secretary shall make warehouse storage loans available in each of the three producing areas (described in section 1446.60 of title 7, Code of Federal Regulations (as of January 1, 1985)) to a designated area marketing association of peanut producers that is selected and approved by the Secretary and that is operated primarily for the purpose of conducting such loan activities.

(B) The Secretary may not make warehouse storage loans available to any cooperative that is engaged in operations or activities concerning peanuts other than those operations and activities specified in this section and section 359 of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359).

(C) Such area marketing associations shall be used in administrative and supervisory activities relating to price support and marketing activities under this section and section 359 of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359).

(D) Loans made under this paragraph shall include, in addition to the price support value of the peanuts, such costs as the area marketing association reasonably may incur in carrying out its responsibilities, operations, and activities under this section and section 359 of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359).

(2)(A) Except as provided in subparagraph (B), the Secretary shall require that each area marketing association establish pools and maintain complete and accurate records by area and segregation for—

(i) quota peanuts handled under loan;

(ii) additional peanuts placed under loan; and

(iii) additional peanuts produced witout a contract between a handler and a producer as described in section 359(j) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359(j)).

(B) Separate pools shall be established under this section for bright hull and dark hull Valencia peanuts produced in New Mexico.

(C) Net gains on peanuts in each pool, unless otherwise approved by the Secretary, shall be distributed—

(i) only to producers who placed peanuts in the pool; and

(ii) in proportion to the value of the peanuts placed in the pool by each producer.

(D) Net gains for peanuts in each pool shall consist of—

(i) for quota peanuts—

(I) the net gains over and above the loan indebtedness and other costs or losses incurred on peanuts placed in such pool; plus

(II) a quantity from the pool for additional peanuts to the extent of the net gains from the sale for domestic food and related uses of additional peanuts in the pool for additional peanuts equal to any loss on disposition of all peanuts in the pool for quota peanuts; and

(ii) for additional peanuts—

(I) the net gains over and above the loan indebtedness and other costs or losses incurred on peanuts placed in the pool for additional peanuts; less

(II) any quantity allocated to offset any loss on the pool for quota peanuts as provided in clause (i).

(E) Notwithstanding any other provision of this section, any distribution of net gains on additional peanuts shall first be reduced to the extent of any loss by the Commodity Credit Corporation on quota peanuts placed under loan.

(F) Notwithstanding any other provision of this section, the proceeds due any producer from any pool shall be reduced by the amount of any loss that is incurred with respect to peanuts transferred from an additional loan pool to a quota loan pool under section 358(m)(8) of the Agricultural Adjustment Act of 1938.

(G) In addition, losses in area quota pools, other than losses incurred as a result of transfers from additional loan pools to quota loan pools under section 358(m)(8) of the Agricultral Adjustment Act of 1938, shall be offset by gains or profits from pools in other production areas as determined by the Secretary.

(d) Notwithstanding the foregoing provisions of this section or any other provision of law, no price support shall be made available by the Secretary for any crop of peanuts with respect to which poundage quotas have been disapproved by producers, as provided for in section 358(o) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1358(o)).

TITLE IX--SOYBEANS

AGRICULTURAL ACT OF 1949

AN ACT To stabilize prices of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1949."

* * * * * * *

TITLE II—DESIGNATED NONBASIC AGRICULTURAL COMMODITIES

SEC. 201. The Secretary is authorized and directed to make available (without regard to the provisions of title III) price support to producers for tung nuts, *soybeans*, honey, milk, sugar beets, and sugar cane as follows:

(a) * * *

(i)(1) The price of soybeans shall be supported through loans and purchases during each of the 6 marketing years beginning with the 1986 marketing year at a level equal to 75 percent of the simple average price received by producers for soybeans for each of the preceding 5 marketing years, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period, except that in no event shall the Secretary establish a support price of less than $5.02 per bushel.

(2) If the Secretary determines that the average price of soybeans received by producers in any marketing year is not more than 105 percent of the loan and purchase level for soybeans for such marketing year, the Secretary may reduce the loan and purchase level for soybeans for the next marketing year by the amount the Secretary determines necessary to maintain domestic and export markets for soybeans, except that the loan and purchase level may not be reduced by more than 10 percent in any year nor below $4.50 per bushel.

(3) For purposes of this subsection, the soybean marketing year shall be the 12-month period beginning on September 1 and ending on August 31.

(4)(A) The Secretary shall make a preliminary announcement of the level of price support not earlier than 30 days in advance of the beginning of the marketing year based on the latest information and statistics available when such level of support is announced.

(B) The Secretary shall make a final announcement of such level as soon as full information and statistics are available on prices for the 5 years preceding the beginning of the marketing year. Such final level of support may not be announced later than October 1 of the marketing year for which the announcement applies. The final level of support may not be less than the level of support set forth in the preliminary announcement.

(5) Notwithstanding any other provision of law—

(A) the Secretary shall not require participation in any production adjustment control program for soybeans or any other commodity as a condition of eligibility for price support for soybeans;

(B) soybeans may not be considered an eligible commodity for any reserve program; and

(C) the Secretary shall not authorize payments to producers to cover the cost of storing soybeans.

* * * * * * *

TITLE X—SUGAR

AGRICULTURAL ACT OF 1949

AN ACT To stabilize prices of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1949."

* * * * * * *

TITLE II—DESIGNATED NONBASIC AGRICULTURAL COMMODITIES

SEC. 201. The Secretary is authorized and directed to make available (without regard to the provisions of title III) price support to producers for tung nuts, *soybeans,* [honey and milk] *honey, milk, sugar beets, and sugarcane* as follows:

(a) * * *

(j)(1) The price of each of the 1986 through 1991 crops of sugar beets and sugarcane, respectively, shall be supported in accordance with this subsection.

(2) The Secretary shall support the price of domestically grown sugarcane through nonrecourse loans at such level as the Secretary determines appropriate but not less than 18 cents per pound for raw cane sugar, except that such level may be increased under paragraph (4).

(3) The Secretary shall support the price of domestically grown sugar beets through nonrecourse loans at such level as the Secretary determines is fair and reasonable in relation to the loan level for sugarcane.

(4)(A) The Secretary may increase the support price for each of the 1986 through 1991 crops of domestically grown sugarcane and sugar beets from the price determined for the preceding crop based on such factors as the Secretary determines appropriate, including changes (during the 2 crop years immediately preceding the crop year for which the determination is made) in the cost of sugar products, the cost of domestic sugar production, and other circumstances that may adversely affect domestic sugar production.

(B) If the Secretary makes a determination not to increase the support price under subparagraph (A), the Secretary shall submit a report containing the findings, decision, and supporting data for such determination to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(5) The Secretary shall announce the loan rate to be applicable during any fiscal year under this subsection as far in advance of the

beginning of that fiscal year as is practicable consistent with the purposes of this subsection.

(6) Loans under this subsection during any fiscal year shall be made available not earlier than the beginning of such fiscal year and shall mature before the end of such fiscal year.

* * * * * * *

TITLE XI—HONEY

AGRICULTURAL ACT OF 1949

AN ACT To stabilize prices of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1949."

* * * * * * *

TITLE II—DESIGNATED NONBASIC AGRICULTURAL COMMODITIES

SEC. 201.* * *

[(b) The price of honey shall be supported through loans, purchases, or other operations at a level not in excess of 90 per centum nor less than 60 per centum of the parity price thereof; and the price of tung nuts for each crop of tung nuts through the 1976 crop shall be supported through loans, purchases, or other operations at a level not in excess of 90 per centum nor less than 60 per centum of the parity price therefor: *Provided,* That in any crop year through the 1976 crop year in which the Secretary determines that the domestic production of tung oil will be less than the anticipated domestic demand for such oil, the price of tung nuts shall be supported at not less than 65 per centum of the parity price therefor.]

(b)(1) Except as provided in paragraph (2), the Secretary shall make available to producers loans and purchases for each of the 1986 through 1991 crops of honey at a level that is not less than—

(A) in the case of the 1986 crop, 65.3 cents per pound; and

(B) in the case of each of the 1987 through 1991 crops, the higher of—

(i) 85 percent of the simple average price received by producers, as determined by the Secretary, during the immediately preceding 5 marketing years, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period; or

(ii) 50 cents per pound.

(2) The loan and purchase level for a crop determined under paragraph (1)(B) may not be reduced by more than 5 percent from the level determined for the preceding crop.

(3) The Secretary shall permit a producer to repay a loan made under this subsection for a crop at a level that is the lesser of—

(A) the loan level determined for such crop; or

(B) such level as the Secretary determines will—

(i) minimize the number of loan forfeitures;

(ii) not result in excessive total stocks of honey;

(iii) reduce the costs incurred by the Federal Government in storing honey; and

(iv) maintain the competitiveness of honey in domestic and export markets.

(4) The average price received by producers for the immediately preceding marketing year shall be based on the latest information available to the Secretary at the time of the determination.

(5)(A) The Secretary may, for each of the 1986 through 1991 crops of honey, make payments available to producers who, although eligible to obtain a loan under paragraph (1), agree to forgo obtaining such loan in return for such payments.

(B) A payment under subparagraph (A) shall be computed by multiplying—

(i) the loan payment rate; by

(ii) the quantity of honey the producer is eligible to place under loan.

(C) For purposes of subparagraph (B), the loan payment rate shall be the amount by that—

(i) the loan level determined for such crop under paragraph (1) exceeds

(ii) the level at which a loan may be repaid under paragraph (3).

(6)(A) If the Secretary determines that a person has knowingly pledged adulterated or imported honey as collateral to secure a loan made under this subsection, such person shall, in addition to any other penalties or sanctions prescribed by law, be ineligible for a loan, purchase, or payment under this subsection for the 3 crop years succeeding such determination.

(B) For purposes of subparagraph (A), honey shall be considered adulterated if—

(i) any substance has been substituted wholly or in part for such honey;

(ii) such honey contains a poisonous or deleterious substance that may render such honey injurious to health, except that in any case in which such substance is not added to such honey, such honey shall not be considered adulterated if the quantity of such substance in or on such honey does not ordinarily render it injurious to health; or

(iii) such honey is for any other reason unsound, unhealthy, unwholesome, or otherwise unfit for human consumption.

* * * * * * *

TITLE XII—FOOD ASSISTANCE RESERVE

AGRICULTURAL ACT OF 1949

AN ACT To stabilize prices of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1949."

* * * * * * *

PRODUCER STORAGE PROGRAM FOR WHEAT AND FEED GRAINS

(Subsections (a), (b), (c), (d), (e), (g), (h), and (i) are effective through the 1985 crops of wheat and feeds grains.)

[SEC. 110. (a) The Secretary shall formulate and administer a program under which producers of wheat and feed grains will be able to store wheat and feed grans when such commodities are in abundant supply and extend the time period for their orderly marketing. The Secretary shall establish safeguards to assure that wheat and feed grains held under the program shall not be utilized in any manner to unduly depress, manipulate, or curtail the free market. The authority provided by this section shall be in addition to other authorities available to the Secretary for carrying out producer loan and storage operations.

[(b) In carrying out the producer storage program, the Secretary shall provide original or extended price support loans for wheat and feeds grains under terms and conditions designed to encourage producers to store wheat and feed grains for extended periods of time in order to promote orderly marketing when wheat or feed grains are in abundant supply. Loans made under this section shall be made at such level of support as the Secretary determines appropriate, except that the loan rate shall not be less than the then current level of support under the wheat and feed grain programs established under this title Among such other terms and conditions as the Secretary may prescribe by regulation, the program may provide for (1) repayment of such loans in not less than three years nor more than five years; (2) payments to producers for storage in such amounts and under such conditions as the Secretary determines appropriate to encourage producers to participate in the program; (3) a rate of interest as determined under subsection (c) of this section; (4) recovery of amounts paid for storage, and for the payment of additional interest or other charges if such loans are repaid by producers before the market price for wheat or feed grains has reached the price levels determined under clause (5) of the sentence; and (5) conditions designed to induce producers to redeem and market the wheat or feed grains securing such loans without regard to the maturity dates thereof whenever the Secretary determines that the market price for the commodity has attained a specified level, as determined by the Secretary.

[(c) The rate of interest charged participants in the program authorized by this section shall be not less than the rate of interest charged the Commodity Credit Corporation by the United States Treasury, except that the Secretary may waive or adjust such interest as the Secretary deems appropriate to effectuate the purposes of this section. The Secretary may increase the applicable rate of interest in such amounts and at such intervals as the Secretary determines is appropriate to encourage the orderly marketing of wheat and feed grains securing loans made under this section after the market price for the commodity has attained the level determined under clause (5) of the third sentence of subsection (b) of this section.

[(d) Notwithstanding any other provision of law, the Secretary may require producers to repay loans under this section plus accrued interest and such other charges as may be required by regulation prior to the maturity date thereof if the Secretary determines that emergency conditions exist which require that such commodity be made available in the market to meet urgent domestic or international needs and the Secretary reports such determination and the reasons therefor to the President, the Committee on Agriculture, Nutrition, and Forestry of the Senate, and the Committee on Agriculture of the House of Representatives at least fourteen days before taking such action.

[(e) The Secretary shall announce the terms and conditions of the producer storage program as far in advance of making loans as practicable. In such announcement, the Secretary shall specify the quantity of wheat or feed grains to be stored under the program which the Secretary determines appropraite to promote the orderly marketing of such commodities. The Secretary may place an upper limit on the amount of wheat and feed grains placed in the reserve, but such upper limit may not be less than seven hundred million bushels for wheat and one billion bushels for feed grains.

[(f) Notwithstanding any other provision of law, except as otherwise provided under section 302 of the Food Security Wheat Reserve Act of 1980 and section 208 of the Agricultural Trade Suspension Adjustment Act of 1980, whenever the program authorized by this section is in effect, the Commodity Credit Corporation may not sell any of its stocks of wheat or feed grains at less than 110 per centum of the then current price level at which the Secretary may encourage repayment of producer storage loans with respect to the commodity prior to the maturity dates of such loans, as determined under cluse (5) of the third sentence of subsection (b) of this section. The foregoing restrictions shall not apply to—

[(1) sales of such commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage;

[(2) sales or other disposals of such commodities under (A) the fifth and sixth sentences of section 407 of this Act; (B) the Act of September 21, 1959 (7 U.S.C. 1427 note); and (C) section 813 of the Agricultural Act of 1970; and

[(3) sales of corn for use in the production of alcohol for motor fuel at facilities that—

[(A) begin operation after January 4, 1980, and

[(B) whenever supplies of corn are not readily available, can produce alcohol from agricultural or forestry biomass feedstocks other than corn,

when sold at not less than the price at which producers may repay producer storage loans and redeem corn prior to the maturity dates of loans, as determined under clause (5) of the third sentence of subsection (b) of this section, or, whenever the fuel conversion price (as defined in section 212 of the Agricultural Trade Suspension Adjustment Act of 1980) for corn exceeds such price, at not less than the fuel conversion price.

[(g) The Secretary may, with the concurrence of the owner of grain stored under the program authorized by this section, reconcentrate all such grain stored in commercial warehouses at such points as the Secretary deems to be in the public interest, taking into account such factors as transportation and normal marketing patterns. The Secretary shall permit rotation of stocks and facilitate maintenance of quality under regulations which assure that the holding producer or warehouseman shall, at all times, have available for delivery at the designated place of storage both the quantity and quality of grain covered by the producer's or warehouseman's commitment.

[(h) Whenever grain is stored under the provisions of this section, the Secretary may buy and sell at an equivalent price, allowing for the customary location and grade differentials, substantially equivalent quantities of grain in different locations or warehouses to the extent needed to properly handle, rotate, distribute, and locate such commodities which the Commodity Credit Corporation owns or controls. Such purchases to offset sales shall be made within two market days following the sales. The Secretary shall make a daily list available showing the price, location, and quantity of the transactions.

[(i) The Secretary shall use the Commodity Credit Corporation, to the extent feasible, to fulfill the purposes of this section. To the maximum extent practicable consistent with the fulfillment of the purposes of this section and the effective and efficient administration of this section, the Secretary shall utilize the usual and customary channels, facilities, and arrangements of trade and commerce.

[FOOD SECURITY WHEAT RESERVE ACT OF 1980

[SHORT TITLE

[SEC. 301. This title may be cited as the "Food Security Wheat Reserve Act of 1980".

[SEC. 302. (a) To provide for a wheat reserve solely for emergency humanitarian food needs in developing countries, the President shall establish a reserve stock of wheat of up to four million metric tons for use for the purposes specified in subsection (c) of this section.

[(b)(1) The reserve stock of wheat under this section shall be established initially by designation for that purpose by the Secretary of Agriculture of wheat owned by the Commodity Credit Corporation.

[(2) Subject to the provisions of subsection (i) of this section stocks of wheat to replenish the reserve may be acquired (A) through purchases from producers or in the market if the Secretary of Agriculture determines that such purchases will not unduly disrupt the market, and (B) by designation by the Secretary of stocks of wheat otherwise acquired by the Commodity Credit Corporation. Any use of funds to acquire wheat through purchases from producers or in the market to replenish the reserve must be authorized in appropriation Acts.

[(c) Notwithstanding any other provision of law, stocks of wheat designated or acquired for the reserve under this section may be released by the President to provide, on a donation or sale basis, emergency food assistance to developing countries at any time that the domestic supply of wheat is so limited that quantities of wheat cannot be made available for disposition under the Agricultural

Trade Development and Assistance Act of 1954, except for urgent humanitarian purposes, under the criteria of section 401(a) of that Act. Notwithstanding the provisions of the preceding sentence, up to three hundred thousand metric tons of wheat may be released from the reserve under this section in any fiscal year, without regard to the domestic supply situation, for use under title II of the Agricultural Trade Development and Assistance Act of 1954 in providing urgent humanitarian relief in any developing country suffering a major disaster, as determined by the President, whenever the wheat needed for relief cannot be programed for such purpose in a timely manner under the normal means of obtaining commodities for food assistance due to circumstances of unanticipated and exception need. Wheat released from the reserve may be processed in the United States and shipped to a developing country in the form of flour when conditions in the recipient country require such processing in the United States.

[(d) Wheat released from the reserve for the purposes of subsection (c) of this section shall be made available under the Agricultural Trade Development and Assistance Act of 1954 to meet famine or other urgent or extraordinary relief requirements, except that section 401(a) of that Act, with respect to determinations of availability, shall not be applicable thereto.

[(e) The Secretary of Agriculture shall provide for the management of stocks of wheat in the reserve as to location and class of wheat needed to meet emergency situations and for the periodic rotation of stocks of wheat in the reserve to avoid spoilage and deterioration of such stocks, using programs authorized by the Agricultural Trade Development and Assistance Act of 1954 and any other provision of law, but any quantity of wheat removed from the reserve for the purposes of this subsection shall be promptly replaced with an equivalent quantity of wheat. (7 U.S.C. 1736f-1(e).)

[(f) Stocks of wheat in the reserve shall not be considered a part of the total domestic supply (including carryover) for the purposes of subsection (c) of this section or for the purposes of administering the Agricultural Trade Development and Assistance Act of 1954 and shall not be subject to any quantitiative limitations on exports that may be imposed under section 7 of the Export Administration Act of 1979.

[(g)(1) The funds, facilities, and authorities of the Commodity Credit Corporation shall be used by the Secretary of Agriculture in carrying out this section, except that any restriction applicable to the acquisition, storage, or disposition of Commodity Credit Corporation owned or controlled commodities shall not apply with respect to the acquisition, storage, or disposal of wheat for or in the reserve.

[(2) Effective beginning October 1, 1981, the Commodity Credit Corporation shall be reimbursed from funds made available for carrying out the Agricultural Trade Development and Assistance Act of 1954 for wheat released from the reserve that is made available under such Act, such reimbursement to be made on the basis of actual costs incurred by the Commodity Credit Corporation with respect to such wheat or the export market price of wheat (as determined by the Secretary) as of the time the wheat is released from the reserve for such purpose, whichever is lower. Such reimbursement may be made from funds appropriated for that purpose in subsequent years.

[(h) Any determination by the President or the Secretary of Agriculture under this section shall be final.

[(i) The authority to replace stocks of wheat to maintain the reserve under this section shall expire September 30, 1985, after which stocks released from the reserve may not be replenished. Stocks of wheat remaining in the reserve after September 30, 1985, shall be disposed of by release for use in providing for emergency food needs in developing countries as provided in this section.

[EFFECTIVE DATE

[SEC. 303. Except as otherwise provided herein, this title shall become effective October 1, 1980, or the date of enactment, whichever is later.]

TITLE II—TEMPORARY EMERGENCY FOOD ASSISTANCE ACT OF 1983

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AVAILABILITY OF CCC COMMODITIES

SEC. 202. (a) Notwithstanding any other provision of law, in order to complement the domestic nutrition programs, make maximum use of the Nation's agricultural abundance, and expand and improve the domestic distribution of price-supported commodities, commodities acquired by the Commodity Credit Corporation that the Secretary of Agriculture (hereinafter referred to as the "Secretary") determines, in his discretion, are in excess of quantities needed to—

(1) carry out other domestic donation programs,

(2) meet other domestic obligations (including quantities needed to carry out a payment-in-kind acreage diversion program),

(3) meet international market development and food aid commitments, and

(4) carry out the farm price and income stabilization purposes of the Agricultural Adjustment Act of 1938, the Agricultural Act of 1949, and the Commodity Credit Corporation Charter Act,

shall be made available by the Secretary, without charge or credit for such commodities, for use by eligible recipient agencies for food assistance.

(b) Notwithstanding any other provision of law, if wheat stocks acquired by the Commodity Credit Corporation are not available for the purposes of this Act, up to 300,000 metric tons of wheat designated under [section 302(b)(1) of the Food Security Wheat Reserve Act of 1980] *section 1202(b)(1) of the Agriculture, Food, Trade, and Conservation Act of 1985* shall be used for the purposes of this Act. Any amount of wheat used [from the Food Security Wheat Reserve] *from the food assistance reserve* under this Act shall be replenished by an equivalent quantity of wheat under [the provisions of section 302(b) of the Food Security Wheat Reserve Act of 1980] *section 1204(a) of the Agriculture, Food, Trade, and Conservation Act of 1985.*

AGRICULTURAL ACT OF 1980

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[TRADE SUSPENSION RESERVES

[SEC. 208. Notwithstanding any other provision of law—

[(a) Whenever the President or other member of the executive branch of Government causes the export of any agricutural commodity to any country or area of the world to be suspended or restricted for reasons of national security or foreign policy under the Export Administration Act of 1979 or any other provision of law and the Secretary of Agriculture determines that such suspension or restriction will result in a surplus supply of such commodity that will adversely affect prices producers receive for the commodity, the Secretary may establish a gasohol feedstock reserve or a food security reserve, or both, of the commodity, as provided in subsections (c) and (d) of this section, if the commodity is suitable for stockpiling in a reserve.

[(b) Within thirty days after the export of any agricultural commodity to a country or area is suspended or restricted as described in subsection (a) of this section, the Secretary of Agriculture shall announce whether a gasohol feedstock reserve or a food security reserve of the commodity, or both, will be established under this section and shall include in such announcement the amount of the commodity that will be placed in such reserves, which shall be that portion of the estimated exports of the commodity affected by the suspension or restriction, as determined by the Secretary, that should be removed from the market to prevent the accumulation of a surplus supply of the commodity that will adversely affect prices producers receive for the commodity.

[(c)(1) To establish a gasohol feedstock reserve under this section, the Secretary of Agriculture may acquire agricultural commodities (the export of which is suspended or restricted as described in subsection (a) of this section) that are suitable for use in the production of alcohol for motor fuel through purchases from producers or in the market and by designation by the Secretary of stocks of the commodities held by the Commodity Credit Corporation, and to pay such storage, transportation, and related costs as may be necessary to permit maintenance of the commodities in the reserve for the purposes of this section and disposition of the commodities as provided in paragraph (2) of this subsection.

[(2) The Secretary of Agriculture may dispose of stocks of agricultural commodities acquired under pargraph (1) of this subsection only through sale—

[(A) for use in the production of alcohol for motor fuel, at not less than the fuel conversion price (as defined in section 212 of this title) for the commodity involved: *Provided,* That, for wheat and feed grains, if the fuel conversion price for the commodity involved is less than the then current release price at which producers may repay producer storage loans on the commodity and redeem the commodity prior to the maturity dates of the loans, as determined under clause (5) of the second sentence of section 110(b) of the Agricultural Act of 1949, the Secretary may dispose of stocks of the commodity for such use only through sale at not less than the release price: *Provided further,* That such sales shall only be made to persons for use in the production of alcohol for motor fuel at facilities that, whenever supplies of the commodity are not readily available, can produce alcohol from other agricultural or forestry biomass feedstocks; or

⟦(B) for any other use, when sales for use under clause (A) of this paragraph are impracticable, (i) if there is a producer storage program in effect for the commodity, at not less than 105 per centum of the then current level at which the Secretary may call for repayment of producer storage loans on the commodity prior to the maturity dates of the loans, as determined under clause (6) of the second sentence of section 110(b) of the Agricultural Act of 1949, or, (ii) if there is no producer storage program in effect for the commodity, at not less than the average market price producers received for the commodity at the time the trade suspension was imposed.

⟦(d)(1) To establish a food security reserve under this section, the Secretary of Agriculture may acquire agricultural commodities (the export of which is suspended or restricted as described in subsection (a) of this section) that are suitable for use in providing emergency food assistance and urgent humanitarian relief through purchases from producers or in the market and by designation by the Secretary of stocks of the commodities held by the Commodity Credit Corporation, and to pay such storage, transportation, and related costs as may be necessary to permit maintenance of the commodities in the reserve for the purposes of this section and disposition of the commodities as provided in paragraph (2) of this subsection.

⟦(2) The provisions of subsections (c), (d), (e), (f), and (g)(2) of section 302 of the Food Security Wheat Reserve Act of 1980 shall apply to commodities in any reserve established under paragraph (1) of this subsection, and (except for the last sentence of subsection (c) of section 302) the references to "wheat" in such subsections of section 302 shall be deemed to be references to "agricultural commodities".

⟦(3) Any determination by the President or the Secretary of Agriculture under this section shall be final.

⟦(e) The funds, facilities, and authorities of the Commodity Credit Corporation shall be used by the Secretary of Agriculture in carrying out this section, except that any restriction applicable to the acquisition, storage, or disposition of Commodity Credit Corporation owned or controlled commodities shall not apply with respect to the acquisition, storage, or disposition of agricultural commodities under this section.

⟦(f) The Secretary of Agriculture shall establish safeguards to ensure that stocks of agricultural commodities held in the reserves established under this section shall not be used in any manner or under any circumstance to unduly depress, manipulate, or curtail the free market.

[(g) Whenever stocks of agricultural commodities are disposed of or released from reserves established under this section, as provided in subsections (c)(2) and (d)(2) of this section, the reserves may not be replenished with replacement stocks.

[(h) The provisions of this section shall become effective with respect to any suspension of, or restriction on, the export of agricultural commodities, as described in subsection (a) of this section, implemented after the date of enactment of this Act.]

ALCOHOL PROCESSOR GRAIN RESERVE

SEC. 209. (a) As used in this section—

(1) The term "Secretary" means the Secretary of Agriculture.

(2) The term "processor" means any person engaged within the United States in the business of manufacturing grain into alcohol for use as a fuel either by itself or in combination with some other product.

(3) The terms "agricultural grain" and "grain" mean any agricultural commodity (A) that is suitable for processing into alcohol for use as a fuel, and (B) with respect to which a price support operation is in effect.

(4) The term "producer storage program" means the producer storage program provided for under section 110 of the Agriculture Act of 1949, *as such program existed before the amendment made by section 1206(a)(1) of the Agriculture, Food, Trade, and Conservation Act of 1985.*

(5) The term "small scale biomass energy project" shall have the same meaning as defined in section 203(19) of the Energy Security Act.

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AGRICULTURAL ACT OF 1970

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DISASTER RESERVE

[SEC. 813. (a) Notwithstanding any other provision of law, the Secretary of Agriculture shall under the provisions of this Act establish, maintain, and dispose of a separate reserve of inventories of not to exceed 75 million bushels of wheat, feed grains, and soybeans for the purpose of alleviating distress caused by a natural disaster.

[Such reserve inventories shall include such quantities of grain that the Secretary deems needed to provide for the alleviation of distress as the result of a natural disaster.

[(b) The Secretary shall acquire such commodities through the price support program.

[(c) Except when a state of emergency has been proclaimed by the President or by concurrent resolution of Congress declaring that such reserves should be disposed or, the Secretary shall not offer any commodity in the resrve for sale of disposition.

[(d) The Secretary is also authorized to dispose of such commodities only for (1) use in relieving distress (a) in any State, the District of Columbia, Puerto Rico, Guam, or the Virgin Islands and (b) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress, as amended (42 U.S.C. 1855 et seq.), or (2) for use in connection with a state of civil defense emergency as proclaimed by the President or by concurrent resolution of the Congress in accordance with the provisions of the Federal Civil Defense Act of 1950, as amended (50 U.S.C. App. 2251-2297).

⟦(e) The Secretary may sell at an equivalent price, allowing for the customary location and grade price differentials, substantially equivalent quantities in different locations or warehouses to the extent needed to properly handle, rotate, distribute, and locate such reserve.

⟦(f) The Secretary may use the Commodity Credit Corporation to the extent feasible to fulfill the purposes of this section; and to the maximum extent practicable consistent with the fulfillment of the purposes of this section and the effective and efficient administration of this section shall utilize the usual and customary channels, facilities, and arrangements of trade and commerce.

⟦(g) The Secretary may issue such rules and regulations as may be necessary to carry out the provisions of this section.

⟦(h) These is hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this section.⟧

TITLE XIII—MISCELLANEOUS COMMODITY PROVISIONS

FOOD AND AGRICULTURE ACT OF 1977

* * * * * * *

NORMALLY PLANTED ACREAGE AND TARGET PRICES

SEC. 1001. (a) Notwithstanding any other provision of law, whenever a set-aside program is in effect for one or more the 1982 through ⟦1985⟧ *1989* crops of wheat ⟦and feed grains⟧, *feed grains, upland cotton, and rice,* the Secretary of Agriculture may require, as a condition of eligibility for loans, purchases, and payments for such crops under the Agricultural Act of 1949, that producers not exceed the acreage on the farm normally planted to crops designated by the Secretary, adjusted as deemed necessary by the Secretary to be fair and equitable among producers and reduced by any set-aside or diverted acreage. Such normal crop acreage for any crop year shall be determined as provided by the Secretary. The Secretary may require producers participating in the program to keep such records as the Secretary determines necessary to assist in making such determination.

(b) Notwithstanding any other provision of law—

(1) Whenever the Secretary, for one or more of the 1982 through ⟦1985⟧ *1989* crops of wheat ⟦and feed grains⟧, *feed grains, upland cotton, and rice,* requires that producers not exceed the acreage on the farm normally planted to crops designated by the Secretary in accordance wth subsection (a) of this section, the Secretary may increase the established price payments for any such commodity by such amount (or if there are no such payments in effect for such crop by providing for

payments in such amount) as the Secretary determines appropriate to compensate producers for not exceeding the acreage on the farm normally planted to crops designated by the Secretary and participation in any required set-aside with respect to such commodity.

(2) In determining the amount of any payments for any commodity under this subsection, the Secretary shall take into account changes in the costs of production resulting from not exceeding the acreage on the farm normally planted to crops designated by the Secretary and participation in any required set-aside with respect to such commodity.

(3) If payments are provided for any commodity under this subsection, the Secretary may provide for payments for any other commodity in such amount as the Secretary determines necessary for effective operation of the program.

(4) The Secretary shall adjust any payments under this subsection to reflect, in whole or in part, any land diversion payments for the commodity for which an increase is determined.

(c) Notwithstanding any other provision of law, whenever marketing quotas are in effect for any of the 1986 through 1991 crops of wheat, the Secretary of Agriculture may require, as a condition of eligibility for loans, purchases, and payments on any commodity under the Agricultural Act of 1949, that the acreage normally planted to crops designated by the Secretary, adjusted as considered necessary by the Secretary to be fair and equitable among producers, shall be reduced by a quantity equal to—

(1) the acreage that the Secretary determines would normally be planted to wheat on a farm; minus

(2) the individual farm program acreage on the farm under section 107D(d)(3)(A) of such Act.

* * * * * * *

AGRICULTURAL ADJUSTMENT ACT OF 1938

AN ACT To provide for the conservation of national soil resources and to provide an adequate and balanced flow of agricultural commodities in interstate and foreign commerce and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Adjustment Act of 1938."

* * * * * * *

FINALITY OF FARMERS PAYMENTS AND LOANS

SEC. 385. The facts constituting the basis for any Soil Conservation Act payment, any payment under the wheat, feed grain, upland cotton, *extra long staple cotton,* and rice programs authorized by the Agricultural Act of 1949 and this Act, any loan, or price support operation, or the amount thereof, when officially determined in conformity with the applicable regulations prescribed by the Secretary or by the Commodity Credit Corporation, shall be final and conclusive and shall not be reviewable by any other officer or agency of the Government. In case any person who is entitled to any such payment dies, becomes incompetent, or disappears

before receiving such payment, or is succeeded by another who renders or completes the required performance, the payment shall, without regard to any other provisions of law, be made as the Secretary of Agriculture may determine to be fair and reasonable in all the circumstances and provide by regulations. This section also shall be applicable to payments provided for under section 348 of this title.

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AGRICULTURAL ACT OF 1949

AN ACT To stabilize prices of agriculture commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1949."

* * * * * * *

ADVANCE PAYMENTS

SEC. 107C. (a)(1) Effective with respect to the 1982 crops of wheat, feed grains, upland cotton, and rice, the Secretary shall make available to producers who participate in an acreage limitation program established for wheat, feed grains, upland cotton, or rice under section 107B(e), 105B(e), 103(g)(9), or 101(i)(5), respectively, advance deficiency payments in accordance with this section (other than subsection (b)) if the Secretary determines that deficiency payments likely will be made under this Act.

(2) Advance deficiency payments under paragraph (1) shall be made to producers under the following terms and conditions:

(A) Such payments shall be made as soon as practicable after October 1, 1982.

(B) Such payments shall be made in an amount determined by multiplying (i) the estimated farm program acreage for the crop, by (ii) the farm program payment yield for the crop, by (iii) 70 per centum of the projected payment rate, as determined by the Secretary. Notwithstanding the preceding sentence, in any case in which a producer has received disaster payments for wheat, feed grains, upland cotton, or rice under section 107B(b)(2), 105B(b)(2), 103(g)(3), or 101(i)(3), respectively, the Secretary may make such adjustment in the advance deficiency payments made under the subsection as the Secretary determines appropriate.

(b)(1) Effective with respect to the 1983 through 1985 crops of wheat, feed grains, upland cotton, and rice, if the Secretary establishes an acreage limitation or acreage set-aside program for a crop of wheat, feed grains, upland cotton, or rice under section 107B(e), 105B(e), 103(g)(9), or 101(i)(5), respectively, and determines that deficiency payments will likely be made for such commodity for such crop, the Secretary—

(A) for the 1983 crop of such commodity, shall make available, as provided in this section (other than subsection (a)), advance deficiency payments to producers who agree to participate in such program; and

(B) for the 1984 and 1985 crops of such commodities, may make available, as provided in this section (other than subsection (a)), advance deficiency payments to producers who agree to participate in such program.

(2) Advance deficiency payments under this subsection shall be made to producers under the following terms and conditions:

(A) Such payments shall be made available to producers as soon as practicable after the producer files a notice of intention to participate in such program, but in no case prior to October 1, 1982.

(B) Such payments shall be made available to producers in such amounts as the Secretary determines appropriate to encourage adequate participation in such program, except that such amount may not exceed an amount determined by multiplying (i) the estimated farm program acreage for the crop, by (ii) the farm program payment yield for the crop, by (iii) 50 per centum of the projected payment rate, as determined by the Secretary.

(c) Advance deficiency payments under this section shall be made to producers under the following terms and conditions:

(1) In any case in which the deficiency payment payable to a producer for a crop, as finally determined by the Secretary under section 107B(b)(1), 105B(b)(1), 103(g)(3), or 101(i)(2), is less than the amount paid to the producer as an advance deficiency payment for the crop under this section, the producer shall refund an amount equal to the difference between the amount advanced and the amount finally determined by the Secretary to be payable to the producer as a deficiency payment for the crop concerned.

(2) If the Secretary determines under section 107B(b)(1), 105B(b)(1), 103(g)(3), or 101(i)(2) that deficiency payments will not be made available to producers on a crop with respect to which advance deficiency payments already have been made under this section, the producers who received such advance payments shall refund such payments.

(3) Any refund required under paragraph (1) or (2) shall be due at the end of the marketing year for the crop with respect to which such payments were made.

(4) If a producer fails to comply with the requirements under the acreage limitation or set-aside program involved (and, in the case of the 1983 crops of wheat, feed grains, and rice, the requirements of the land diversion program involved) after obtaining an advance deficiency payment under this section, the producer shall repay immediately the amount of the advance, plus interest thereon in such amount as the Secretary shall prescribe by regulations.

(d) The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

(e) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(f) The authority provided in this section shall be in addition to, and not in place of, any authority granted to the Secretary or the Commodity Credit Corporation under any other provisions of law.

[Sec. 107C is effective only for the 1986 through 1989 crops of wheat, feed grains, upland cotton, and rice crops.]

SEC. 107C. (a)(1) If the Secretary establishes an acreage limitation or set-aside program for any of the 1986 through 1991 crops of wheat, feed grains, upland cotton, or rice under this act and determines that deficiency payments will likely be made for such commodity for such crop, the Secretary may make available advance deficiency payments to producers who agree to participate in such program.

(2) Advance deficiency payments under paragraph (1) shall be made to the producer under the following terms and conditions:

(A) Such payments shall be made available as soon as practicable after the producer files a notice of intention to participate in such program.

(B) Such payments shall be made available in such amounts as the Secretary determines appropriate to encourage adequate participation in such program, except that such amount may not exceed an amount determined by multiplying—

(i) the estimated farm program acreage for the crop; by

(ii) the farm program payment yield for the crop; by

(iii) 50 percent of the projected payment rate, as determined by the Secretary.

(C) If the deficiency payment payable to a producer for a crop, as finally determined by the Secretary under this Act, is less than the amount paid to the producer as an advance deficiency payment for the crop under this subsection, the producer shall refund an amount equal to the difference between the amount advanced and the amount finally determined by the Secretary to be payable to the producer as a deficiency payment for the crop concerned.

(D) If the Secretary determines under this Act that defiiency payments will not be made available to producers on a crop with respect to which advance deficiency payments already have been made under this subsection, the producers who received such advance payments shall refund such payments.

(E) Any refund required under subparagraph (C) or (D) shall be due at the end of the marketing year for the crop with respect to which such payments were made.

(F) If a producer fails to comply with requirements established under the acreage limitation or set-aside program involved after obtaining an advance deficiency payment under this subsection, the producer shall repay immediately the amount of the advance, plus interest thereon in such amount as the Secretary shall prescribe by regulations.

(3) The Secretary may issue such regulations as the Secretary determines necessary to carry out this subsection.

(4) The Secretary shall carry out the program authorized by this subsection through the Commodity Credit Corporation.

(5) The authority provided in this subsection shall be in addition to, and not in place of, any authority granted to the Secretary or the Commodity Credit Corporation under any other provisions of law.

(b) If the Secretary makes land diversion payments under this Act to assist in adjusting the total national acreage of any of the 1986 through 1991 crops of wheat, feed grains, upland cotton, or rice to desirable levels, the Secretary may make at least 50 percent of such payments available to a producer as soon as possible after the producer agrees to undertake the diversion of land in return for such payments.

* * * * * * *

SPECIAL GRAZING AND HAY PROGRAM

[Sec. 109 is applicable only to the crop years 1978 through 1989.]

Sec. 109. Notwithstanding any other provision of law—

(a) The Secretary is authorized to administer a special wheat acreage grazing and hay program (hereinafter in this section referred to as the "special program") in each of the crop years 1978 through [1985] *1989.* If a special program is implemented, a producer shall be permitted to designate, under such regulations as established by the Secretary, a portion of the acreage on the farm intended to be planted to wheat, feed grains, or upland cotton for harvest, not in excess of 40 per centum thereof, or 50 acres, whichever is greater, which shall be planted to wheat (or some other commodity other than corn or grain sorghum) and used by the producer for grazing purposes or hay rather than for commercial grain production. A producer who elects to participate in the special program shall receive a payment as provided in subsection (c) of this section.

* * * * * * *

SUPPORT THROUGH CCC

Sec. 401. (a) The Secretary shall provide the price support authorized or required herein through the Commodity Credit Corporation and other means available to him.

* * * * * * *

[Subsection (f) is effective only for the 1986 through 1989 crops.]

(f) Notwithstanding any other provision of law, if a producer on a farm has historically produced crops of two commodities on the same land in the same year and the producer has diverted acreage on the farm from the production of one of such commodities in any year under an acreage reduction program administered by the Secretary, the Secretary may permit such producer to plant a second crop of the other commodity for harvest in such year on the acreage diverted from production on the farm under such program.

* * * * * * *

[Amendments to section 405 effective only for the 1986 through 1989 crops.]

NONRECOURSE LOANS

SEC. 405. (*a*) No producer shall be personally liable for any deficiency arising from the sale of the collateral securing any loan made under authority of this Act unless such loan was obtained through fraudulent representations by the producer. This provision shall not, however, be construed to prevent the Commodity Credit Corporation or the Secretary from requiring producers to assume liability for deficiencies in the grade, quality, or quantity of commodities stored on the farm or delivered by them, for failure properly to care for and preserve commodities, or for failure or refusal to deliver commodities in accordance with the requirements of the program. There is authorized to be included in the terms and conditions of any such nonrecourse loan a provision whereby on and after the maturity of the loan or any extension thereof Commodity Credit Corporation shall have the right to acquire title to the unredeemed collateral without obligation to pay for any market value which such collateral may have in excess of the loan indebtedness.

(b)(1) Notwithstanding any other provision of law, the Secretary may provide a negotiable certificate to any producer who repays, together with interest, a price support loan made available to such producer under any of the annual programs for wheat, feed grains, upland cotton, or rice established under this Act.

(2) The amount of such certificate shall be equal to the amount of the interest paid by the producer on such loan.

(3) Such certificate shall be redeemable in wheat, feed grains, upland cotton, or rice, as the case may be, owned by the Commodity Credit Corporation.

(4) The issuance of such certificate shall be subject to the availability of commodities owned by the Corporation.

* * * * * * *

[Amendments to section 407 effective only for the 1986 through 1989 marketing years.]

SEC. 407. The Commodity Credit Corporation may sell any farm commodity owned or controlled by it at any price not prohibited by this section. In determining sales policies for basic agricultural commodities or storage nonbasic commodities, the Corporation should give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop. The Corporation shall not sell any basic agricultural commodity or storable nonbasic commodity at less than 5 per centum above the current support price for such commodity, plus reasonable carrying charges: *Provided*, That effective with the beginning of the marketing year for the 1961 crop, the Corporation shall not sell any upland or extra long staple cotton for unrestricted use at less than 15 per centum above the current support price for cotton plus reasonable carrying charges, except that the Corporation may, in an orderly manner and so as not to affect market prices unduly, sell for unrestricted use at the market price at the time of sale a number of bales of cotton equal to the number of bales by which the national marketing quota for such marketing year is reduced below the estimated domestic consumption and exports for such marketing year pursuant to the provisions of section 342 of the Agricultural Adjustment Act of 1938, as amended: *Provided further,* That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges: [*Provided,* That the Corporation shall not sell any of its stocks of wheat, corn, grain sorghum, barley, oats, and rye, respectively, at less than 115 per centum of the current national average loan rate for the commodity, adjusted for such current market differentials reflecting grade, quality, location, and other value factors as the Secretary determines appropriate plus reasonable carrying charges.] *Provided, That, notwithstanding any other provision of law, the Corporation may not sell any of its stocks of wheat, corn, grain sorghum, barley, oats, and rye, respectively, at less than (A) 115 percent of the current national average loan rate for the commodity, adjusted for such current market differentials reflecting grade, quality, location, and other value factors as the Secretary determines appropriate plus reasonable carrying charges, or (B) if the Secretary permits the repayment of loans made for a crop of the commodity at a rate that is less than the loan level determined for such crop, 115 percent of the average loan repayment rate that is determined for such crop during the period of such loans.* The foregoing restrictions shall not apply to (A) sales for new or byproduct uses; (B) sales of peanuts and oilseeds for the extraction of oil; (C) sales for seed or feed if such sales will not substantially impair any price-support program; (D) sales of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage; (E) sales for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity; (F) sales for export; (G) sales of wool; and (H) sales for other than primary uses. Notwithstanding the foregoing, the Corporation, on such terms and conditions as the Secretary may deem in the public interest, may make available any farm commodity or product thereof owned or controlled by it for use in relieving distress (1) in any area in the United States including the Virgin Islands declared by the President to be an acute distress area because of unemployment or other economic cause if the President finds that such use will not displace or interfere with normal marketing agricultural commodities and (2) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress, as amended (42 U.S.C. 1855) and may make feed owned or controlled by it available at any price not less than 75 per centum of the [current basic county support rate including the value of any applicable price-support payment in kind (or a comparable price if there is no current basic county support rate)] *current basic county loan rate (or a compara-*

ble price if there is no current basic county loan rate) for assistance in the preservation and maintenance of foundation herds of cattle (including producing dairy cattle), sheep, and goats, and their offspring, in any area of the United States including the Virgin Islands where, because of flood, drought fire, hurricane, earthquake, storm, disease, insect infestation, or other catastrophe in such areas, the Secretary determines that an emergency exists which warrants such assistance, such feed to be made available only to persons who do not have, and are unable to obtain through normal channels of trade without undue financial hardship, sufficient feed for such livestock: *Provided*, That the Secretary may provide for the furnishing of feed or mixed feed, in accordance with regulations prescribed by him, to such persons by feed dealers under an arrangement whereby the feed grains (or other feed being sold by the Corporation) in the feed so furnished would be replaced with feed owned or controlled by the Corporation and sold to such persons at a price determined as provided above. Except on a reimbursable basis, the Corporation shall not bear any costs in connection with making such commodity available beyond the cost of the commodities to the Corporation in store and the handling and transportation costs in making delivery of the commodity to designated agencies at one or more central locations in each State or other area. Nor shall be foregoing restrictions apply to sales of commodities the disposition of which is desirable in the interest of the effective and efficient conduct of the Corporation's operations because of the small quantities involved, or because of age, location or questionable continued storability, but such sales shall be offset by such purchases of commodities as the Corporation determines are necessary to prevent such sales from substantially impairing any price-support program**[**, but in no event shall the purchase price exceed the then current support price for such commodities.**]** *or unduly affecting market prices, but in no event shall the purchase price exceed the Corporation's minimum sales price for such commodities for unrestricted use.* For the purposes of this section, sales for export shall not only include sales made on condition that the identical commodities sold be exported, but shall also include sales made on condition that commodities of the same kind and of comparable value or quantity be exported, either in raw or processed form. Notwithstanding the foregoing, whenever prior to December 31, 1963, the Secretary determines it necessary in order to assure the Nation an adequate supply of milk free of contamination by radioactive fallout, he may make feed owned or controlled by the Commodity Credit Corporation available to producers of milk in any area or areas of the United States at such prices and on such terms and conditions as he deems appropriate in the public interest. **[**Notwithstanding any other provision of this section, for the period August 1, 1966, through July 31, 1970, (1) the Commodity Credit Corporation shall sell upland cotton for unrestricted use at the same prices as it sells cotton for export, in no event, however, at less than 110 per centum of the loan rate, and (2)**]** *Notwithstanding any other provision of law, (1) the Commodity Credit Corporation shall sell upland cotton for unrestricted use at the same prices as it sells upland cotton for export, in no event, however, at less than (A) 115 per centum of the loan rate for Strict Low Mid-*

dling one-and-one-sixteenth-inch upland cotton (micronaire 3.5 through 4.9) adjusted for such current market differentials reflecting grade, quality, location and other value factors as the Secretary determines appropriate plus reasonable carrying charges, or (B) if the Secretary permits the repayment of loans made for a crop of cotton at a rate that is less than the loan level determined for such crop, 115 percent of the average loan repayment rate that is determined for such crop during the period of such loans. and (2) the Commodity Credit Corporation shall sell or make available for unrestricted use at current market prices in each marketing year a quantity of upland cotton equal to the amount by which the production of upland cotton is less than the estimated requirements for domestic use and for export for such marketing year. The Secretary may make such estimates and adjustments therein at such items as he determines will best effectuate the provisions of part (2) of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly. Notwithsanding any other provision of this section, effective August 1, 1968, the Commodity Credit Corporation shall make available during each marketing year for sale for unrestricted use at market prices at the time of sale, a quantity of American grown extra long staple cotton equal to the amount by which the production of such cotton in the calendar year in which such marketing year begins is less than the estimated requirements of American grown extra long staple cotton for domestic use and for export for such marketing year: *Provided,* That no sales shall be made at less than 115 per centum of the loan rate for extra long staple cotton under section 101(f) of this Act beginning with the marketing year for the first crop for which the national marketing quota for extra long staple cotton is not established under paragraph (3) of section 347(b) of the Agricultural Adjustment Act of 1983, as amended. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of the foregoing sentence and such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly. Notwithstanding any other provision of law, beginning upon the enactment of the Extra Long Staple Cotton Act of 1983, the Commodity Credit Corporation may sell extra long staple cotton for unrestricted used at such price levels as the Secretary determines appropriate to maintain and expand export and domestic markets for such cotton.

SEC. 408. For the purposes of this Act—* * *

REFERENCES TO TERMS MADE APPLICABLE TO WHEAT, FEED GRAINS, UPLAND COTTON, AND RICE

[(k) References made in sections 402, 403, 406, 407, and 416 to the terms "support price", "level of support", and "level of price support" shall be considered to apply as well to the level of loans and purchases for wheat, feed grains, upland cotton, and rice under this Act; and references made to the terms "price support", "price support operations", and "price support program" in such sections and in section 401(a) shall be considered as applying as well to the loan and purchase operations for wheat, feed grains, upland cotton, and rice under this Act.]

[Subsec. (k) is effective only for the 1986 through 1989 crops.]

(k)(1) Reference made in sections 402, 403, 406, 407, and 416 to the terms "support price", "level of support", and "level of price support" shall be considered to apply as well to the loan and purchase level for wheat, feed grains, upland cotton, and rice under this Act.

(2) References made to the terms "price support", "price support operations", and "price support program" in such sections and in section 401(a) shall be considered as applying as well to loan and purchase operations for wheat, feed grains, upland cotton, and rice under this Act.

TITLE XIV—FOOD STAMPS AND COMMODITY DISTRIBUTION

FOOD STAMP ACT OF 1977

SHORT TITLE

SECTION 1. This act may be cited as the "Food Stamp Act of 1977".

* * * * * * *

DEFINITIONS

SEC. 3. As used in this act, the term:

* * * * * * *

(f) "Drug addiction or alcoholic treatment and rehabilitation program" means any such program conducted by a private nonprofit organization or institution [which is certified by the State agency or agencies designated by the Governor as responsible for the administration of the State's programs for alcoholics and drug addicts pursuant to Public Law 91-616 (Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970) and Public Law 92-255 (Drug Abuse Office and Treatment Act of 1972) as providing], *or a publicly operated community health center, under part B of title XIX of the Public Health Service Act (42 U.S.C. 300x et seq.) to provide* treatment that can lead to the rehabilitation of drug addicts or alcoholics.

* * * * * * *

(i) "Household" means (1) an individual who lives alone or who, while living with others, customarily purchases food and prepares meals for home consumption separate and apart from the others, or (2) a group of individuals who live together and customarily purchase food and prepare meals together for home consumption; except that parents and children, or siblings, who live together shall be treated as a group of individuals who customarily purchase and prepare meals together for home consumption even if they do not do so, unless one of the parents or siblings is an elderly or disabled member. Notwithstanding clause (1) of the preceding sentence, an individual who lives with others, who is sixty years of age or older, and who is unable to purchase food and prepare meals because such individual suffers, as certified by a licensed physician, from a disability which would be considered a permanent disability under section 221(i) of the Social Security Act (42 U.S.C. 421(i)) or from a severe, permanent disabling physical or mental infirmity which is not symptomatic of a disease shall be considered, together with any of the others who is the spouse of such individual, an individual household, without regard to the purchase of food and preparation of meals, if the income (as determined under section 5(d)) of the others, excluding the spouse, does not exceed the poverty line, as described in section 5(c)(1), by more than 65 per centum. In no event shall any individual or group of individuals constitute a household if they reside in an institution or boarding house, or else live with others and pay compensation to the others for meals. For the purposes of this subsection, residents of federally subsidized housing for the elderly, disabled or blind recipients of benefits under title II of title XVI of the Social Security Act who are residents in a public or private nonprofit group living arrangement that serves no more than sixteen residents and is certified by the appropriate State agency or agencies under regulations issued under section 1616(e) of the Social Security Act, temporary residents of public or private nonprofit shelters for battered women and children, and narcotics addicts or alcoholics who live under the supervision of a private nonprofit institution, *or a publicly operated community health center,* for the purpose of regular participation in a drug or alcoholic treatment program shall not be considered residents of institutions and shall be considered individual households.

* * * * * * *

(o) "Thrifty food plan" means the diet required to feed a family of four persons consisting of a man and a woman twenty through **[**fifty-four**]** *fifty.* a child six through eight, and a child nine through eleven years of age, determined in accordance with the Secretary's calculations. The cost of such diet shall be the basis for uniform allotments for all households regardless of their actual composition, except that the Secretary shall (1) make household-size adjustments (based on the unrounded cost of such diet) taking into account economies of scale, (2) make cost adjustments in the thrifty food plan for Hawaii and the urban and rural parts of Alaska, (3) make cost adjustments in the separate thrifty food plans for Guam, and the Virgin Islands of the United States to reflect the cost of food in those States, but not to exceed the cost of food in the fifty States and the District of Columbia, (4) through January 1, 1980, adjust the cost of such diet every January 1 and July 1 to the nearest dollar increment to reflect changes in the cost of the thrifty food plan for the six months ending the preceding Septmber 30 and March 31, respectively, (5) on January 1, 1981, adjust the cost of such diet to the nearest dollar increment to reflect changes in the cost of the thrifty food plan for the twelve months ending the preceding September 30, (6) on October 1, 1982, adjust the cost of such diet to reflect changes in the cost of the thrifty food plan for the twenty-one months ending June 30, 1982, reduce the cost of such diet by 1 per centum, and round the result to the nearest lower dollar increment for each household size, (7) on October 1, 1983, and October 1, 1984, adjust the cost of such diet to reflect changes in the cost of the thrifty food plan for the twelve months ending the preceding June 30, reduce the cost of such diet by 1 per centum, and round the result to the nearest lower dollar increment for each household size, and (8) on October 1, 1985, and each October 1 thereafter, adjust the cost of such diet to reflect changes in the cost of the thrifty food plan for the twelve months ending the preceding June 30 and round the result to the nearest lower dollar increment for each household size: *Provided*, That the periods upon which such adjustments are based shall be subject to revision by Act of Congress.

* * * * * * *

(r) "Elderly or disabled member" means a member of a household who—

(1) is sixty years of age or older or

[(2) receives supplemental security income benefits under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.);

[(3) receives disability or blindness payments under title I, II, X, XIV, or XVI of the Social Security Act (42 U.S.C. 301 et seq.);

[(4) is a veteran who—

[(A) has a service-connected disability which is rated as total under title 38, United States Code; or

[(B) is considered in need of regular aid and attendance or permanently housebound under such title;

[(5) is a surviving spouse of a veteran and—

[(A) is considered in need of regular aid and attendance or permanently housebound under title 38, United States Code; or

[(B) is entitled to compensation for a service-connected death or pension benefits for a non-service-connected death under title 38, United States Code, and has a disability considered permanent under section 221(i) of the Social Security Act (42 U.S.C. 421(i)); or

[(6) is a child of a veteran and—

[(A) is considered permanently incapable of self-support under section 414 of title 38, United States Code; or

[(B) is entitled to compensation for a service-connected death or pension benefits for a nonservice-connected death under title 38, United States Code, and has a disability considered permanent under section 21(i) of the Social Security Act (43 U.S.C. 421(i)).**]**

(2) receives benefits, assistance, or payments under a Federal law based on a determination of blindness or disability, or for whom such determination is made, under criteria that the Secretary determines are the same as, or provide for substantially the same degree of disability or blindness as, the criteria for disability or blindness established under sections 216(i), 221(i), and 223(d) of the Social Security Act (42 U.S.C. 416(i), 421(i), and 423(d)).

SEC. 4. (a) * * *

(b) In jurisdictions where the food stamp program is in operation, there shall be no distribution of federally donated foods to households under the authority of any law, except that distribution may be made (1) on a temporary basis under programs authorized by law to meet disaster relief needs, or (2) for the purpose of the commodity supplemental food program. Distribution of commodities, with or without the food stamp program, shall also be made whenever a request for concurrent or separate food program operations, respectively, is made by a tribal organization. In the event of distribution on all or part of an Indian reservation, the appropriate agency of the State government in the area involved shall be responsible for such distribution, except that, if the Secretary determines that the tribal organization is capable of effectively and efficiently administering such distribution, then such tribal organization shall administer such distribution: *Provided,* That the Secretary shall not approve any plan for such distribution which permits any households on any Indian reservation to participate simultaneously in the food stamp program and the distribution of federally donated foods. *For purposes of preventing dual participation in the food stamp program and the commodity distribution program established under section 4(a) of the Agriculture and Consumer Protection Act (7 U.S.C. 612c note), the Secretary and State agencies may match the social security account numbers of participants in the food stamp program against the account numbers of applicants for assistance under the commodity distribution program.* The Secretary is authorized to pay such amounts for administrative costs of such distribution on Indian reservations as the Secretary finds necessary for effective administration of such distribution by a State agency or tribal organization.

* * * * * * *

ELIGIBLE HOUSEHOLDS

SEC. 5. (a) * * *

* * * * * * *

(d) Household income for purposes of the food stamp program shall include all income from whatever source excluding only (1) any gain or benefit which is not in the form of money payable directly to a household, *except as provided in subsection (k),* (2) any income in the certification period which is received too infrequently or irregularly to be reasonably anticipated, but not in excess of $30 in a quarter, subject to modification by the Secretary in light of section 5(f) of this Act, (3) all educational loans on which payment is deferred, grants, scholarships, fellowships, veterans' educational benefits, and the like to the extent that they are used for tuition and mandatory school fees at an institution of higher education or school for the handicapped, (4) all loans other than educational loans on which repayment is deferred, (5) reimbursements which do not exceed expenses actually incurred and which do not represent a gain or benefit to the household: *Provided,* That no portion of benefits provided under title IV–A of the Social Security Act, to the extent it is attributable to an adjustment for work-related or child care expenses, *and no portion of any educational loans on which payment is deferred, grants, scholarships, fellowships, veterans' edu-*

cational benefits, and the like, shall be considered such reimbursement, (6) moneys received and used for the care and maintenance of a third-party beneficiary who is not a household member, (7) income earned by a child who is a member of the household, who is a student, and who has not attained his eighteenth birthday, (8) moneys received in the form of nonrecurring lump-sum payments, including, but not limited to, income tax refunds, rebates, or credits, retroactive lump-sum social security or railroad retirement pension payments and retroactive lump-sum insurance settlements, *except as provided in subsection (1): Provided,* That such payments shall be counted as resources, unless specifically excluded by other laws, (9) the cost of producing self-employed income, (10) any income that any other Federal law specifically excludes from consideration as income for purposes of determining eligibility for the food stamp program, (11) any payments or allowances under (A) any Federal law for the purpose of providing energy assistance, of (B) any State or local laws for the purpose of providing energy assistance, designated by the State of local legislative body authorizing such payments or allowances as energy assistance, and determined by the Secretary to be calculated as if provided by the State or local government involved on a seasonal basis for an aggregate period not to exceed six months in any year even if such payments or allowances (including tax credits) are not provided on a seasonal basis because it would be administratively infeasible or impracticable to do so, **[**and**]** (12) through September 30 of any fiscal year, any increase in income attributable to a cost-of-living adjustment made on or after July 1 of such fiscal year under title II or XVI of the Social Security Act (42 U.S.C. 401 et seq.), section 3(a)(1) of the Railroad Retirement Act of 1974 (45 U.S.C. 231b(a)(1)), or section 3112 of title 38, United States Code, if the household was certified as eligible to participate in the food stamp program or received an allotment in the month immediately preceding the first month in which the adjustment was effective, *and (13) at the option of a State agency and subject to subsection (m), child support payments that are excluded under section 402(a)(8)(A)(iv) of the Social Security Act (42 U.S.C. 602(a)(8)(A)(vi)).*

(e) In computing household income for purposes of determining eligibility and benefit levels for households containing an elderly or disabled member and determining benefit levels only for all other households, the Secretary shall allow a standard deduction of $85 a month for each household, except that households in Alaska, Hawaii, Guam, and the Virgin Islands of the United States shall be allowed a standard deduction of $145, $120, $170, and $75, respectively. Such standard deductions shall be adjusted (1) on October 1, 1983, to the nearest lower dollar increment to reflect changes in the Consumer Price Index for all urban consumers published by the Bureau of Labor Statistics, for items other than food and **[**the homeownership component of shelter costs**]** *the homeowners' cost, maintenance, and repair component of shelter costs,* as appropriately adjusted by the Bureau of Labor Statistics after consultation with the Secretary, for the fifteen months ending the preceding March 31, (2) on October 1, 1984, to the nearest lower dollar increment to reflect such changes for the fifteen months ending the preceding June 30, and (3) on October 1, 1985, and each October 1 thereafter, to the nearest lower dollar increment to reflect such changes for the twelve months ending the preceding June 30. All households with earned income shall be allowed an additional deduction of 18 per centum of all earned income (other than that excluded by subsection (d) of this section), to compensate for taxes, other mandatory deductions from salary, and work expenses. Households, other than those households containing an elderly or disabled member, shall also be entitled, with respect to expenses other than expenses paid on behalf of the household by a third party, to (1) a dependent care deduction, the maximum allowable level of which shall be the same as that for the excess shelter expense deduction contained in clause (2) of this subsection, for the actual cost of payments necessary for the care of a dependent, regardless of dependent's age when such care enables a household member to accept or continue employment, or training or education which is preparatory for employment, or (2) an excess shelter expense deduction to the extent that the monthly amount expended by a household for shelter, *excluding expenses of the household paid (directly or indirectly) under the Low Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.),* exceeds an amount equal to 50 per centum of monthly household income after all other applicable deductions have been allowed: *Provided,* That the amount of such excess shelter expense deduction shall not exceed $115 a month in the forty-eight contiguous States and the District of Columbia, and shall not exceed, in Alaska, Hawaii, Guam, and the Virgin Islands of the United States, $200, $165, $140, and $85, respectively, adjusted (i) on October 1, 1983, to the nearest lower dollar increment to reflect changes in the shelter (exclusive of [homeownership costs,] *the homeowners' cost, maintenance, and repair component of shelter costs*), fuel, and utilities components of housing costs in the Consumer Price Index for all urban consumers published by the Bureau of Labor Statistics, as appropriately adjusted by the Bureau of Labor Statistics after consultation with the Secretary, for the fifteen months ending the preceding March 31, (ii) on October 1, 1984, to the nearest lower dollar increment to reflect such changes for the fifteen months ending the preceding June 30, and (iii) on October 1, 1985, and each October 1 thereafter, to the nearest lower dollar increment to reflect such changes for the twelve months ending the preceding June 30, or (3) a deduction combining the dependent care and excess shelter expense deductions under clauses (1) and (2) of this subsection, the maximum allowable level of which shall not exceed the maximum allowable deduction under clause (2) of this subsection, on January 1, 1981, adjusted to the nearest $5 increment to reflect such changes for the eighteen-month period ending the preceding September 30, and, on January 1, 1982, adjusted to the nearest $5 to reflect such changes for the twelve months ending the preceding September 30 and the subsequent three months ending December 31 as projected by the Secretary in light of the best available data, and, on every January 1 thereafter, adjusted annually to the nearest $5 increment to reflect such changes for the nine months ending the preceding September 30 and the subsequent three months ending December 31 projected by the Secretary in light of the best available data. In computing the excess shelter expense deduction under clause (2) of the preceding sentence, a State agency may use a standard utility allowance in accordance with regulations promulgated by the Secretary, except that a State agency may use an allowance which does not fluctuate within a year to reflect seasonal variations. *If a State agency elects to use a standard utility allowance, the agency shall use a separate allowance for households receiving assistance under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.) and a separate allowance for other households or a combined allowance for all such households. In the case of a standard utility allowance that applies to households receiving such assistance, such allowance shall reflect utility expenses in excess of such expenses paid, directly or indirectly, under such Act.* An allowance for a heating or cooling expense may not be used for a household that does not incur a heating or cooling expense, as the case may be, or does incur a heating or cooling expense but is located in a public housing unit which has central utility meters and charges households, with regard to such expense, only for excess utility costs. No such allowance may be used for a household that shares such expense with, and lives with, another individual not participating in the food stamp program, another household participating in the food stamp program, or both, unless the allowance is prorated between the household and the other individual, household, or both. Households containing an elderly or disabled member shall also be entitled, with respect to expenses other than expenses paid on behalf of the household by a third party, to—

(A) an excess medical expense deduction for that portion of the actual cost of allowable medical expenses, incurred by elderly or disabled members, exclusive of special diets, that exceed $35 a month;

(B) a dependent care deduction, the maximum allowable level of which shall be the same as that for the excess shelter expense deduction contained in clause (2) of the fourth sentence of this subsection, for the actual cost of payments necessary for the care of a dependent, regardless of the dependent's age, when such care enables a household member to accept or continue employment, or training or education that is preparatory for employment; and

(C) an excess shelter expense deduction to the extent that the monthly amount expended by a household for shelter, *excluding expenses of the household paid (directly or indirectly) under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.),* exceeds an amount equal to 50 per centum of monthly household income after all other applicable deductions have been allowed.

(f)(1)(A) Household income for those households that, by contract for other than an hourly or piecework basis or by self-employment, derive their annual income in a period of time shorter than one year shall be calculated by averaging such income over a twelve-month period.

(B) If the average amount of self-employment income of a household does not reflect accurately the actual monthly circumstances of such household because such household experienced a substantial increase or decrease in business earnings, the self-employment

income of such household shall be calculated on the basis of the anticipated earnings of such household.

[(B)] *(C)* Household income for those households that receive nonexcluded income of the type described in subsection (d)(3) of this section shall be calculated by averaging such income over the period for which it is received.

(2) [(A) Household income for migrant farmworker households shall be calculated on a prospective basis, as provided in paragraph (3)(A).] *(A) Household income shall be calculated on a prospective basis, as provided in paragraph (3)(A), in the case of—*

(i) migrant farmworker households; and

(ii) households—

(I) that have no earned income; and

(II) in which all adult members are elderly or disabled members.

(B) Household income for household that (i) are permitted *under the first sentence of section 6(c)(1)* to report household circumstances at specified intervals less frequent than monthly, [under section 6(c)(1) of this Act, (ii) have no earned income and in which all adult members are elderly or disabled members,] or [(iii)] *(ii)* are any other households, [other than a migrant household] *other than a household described in subparagraph (A)* not required *under the first sentence of section 6(c)(1)* to report monthly or at less frequent intervals [under section 6(c)(1) of this Act], may, with the approval of the Secretary, be calculated by a State agency on a prospective basis, as provided in paragraph (3)(A) of this subsection.

[(C) Household income for all other households shall be calculated on a retrospective basis as provided in paragraph (3)(B).]

(C) Except as provided in subparagraphs (A) and (B), household income for households that have earned income, and for households that include any member who has recent work history, shall be calculated on a retrospective basis, as provided in paragraph (3)(B).

(D) Household income for all other households may be calculated, at the option of the State agency, on a prospective basis as provided in paragraph (3)(A) or on a retrospective basis as provided in paragraph (3)(B).

* * * * * * *

(g) The Secretary shall prescribe the types and allowable amounts of financial resources (liquid and nonliquid assets) an eligible household may own, and shall, in so doing, assure that a household otherwise eligible to participate in the food stamp program will not be eligible to participate if it resources exceed $1,500, or, in the case of a household consisting of two or more persons, one of whom is age 60 or over, if its resources exceed $3,000. The Secretary shall, in prescribing inclusions in, and exclusions from, financial resources, follow the regulations in force as of June 1, 1982 (other than those relating to licensed vehicles), and shall, in addition, include in financial resources any boats, snowmobiles, and airplanes used for recreational purposes, any vaction homes, any mobile homes used primarily for vacation purposes, any licensed vehicle (other than one used to produce earned income or that is necessary for transportation of a physically disabled household member) used for household transportation or used to obtain or continue employment to the extent that the fair market value of any such vehicle exceeds $4,500, and, regardless of whether there is a penalty for early withdrawal, any savings or retirement accounts (including individual accounts). *The Secretary shall exclude from financial resources the value of a burial plot for each member of a household.*

* * * * * * *

[(j) Notwithstanding subsections (a) through (i), a State agency may consider a household in which all members of the household receive benefits under a State plan approved under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) and whose income does not exceed the applicable income standard of eligibility described in subsection (c)(2) to have satisfied the resource limitations prescribed under subsection (g).]

(j) Notwithstanding subsections (a) through (i), a State agency may consider a household to have satisfied the income and resource limitations for participation in the food stamp program prescribed under this section if—

(1) each member of the household receives benefits under—

(A) a State plan for aid to families with dependent children approved under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.);

(B) the supplemental security income program established under title XVI of such Act (42 U.S.C. 1381 et seq.); or

(C) a State plan approved under title I, X, XIV, or XVI of such Act (42 U.S.C. 301 et seq.); and

(2) the income of the household does not exceed the applicable income standards of eligibility established under subsection (c)(2).

(k)(1) For purposes of subsection (d)(1), except as provided in paragraph (2), assistance provided to a third party on behalf of a household by a State or local government shall be considered money payable directly to the household if the assistance is provided in lieu of—

(A) a regular benefit payable to the household for living expenses under a State plan for aid to families with dependent children approved under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.); or

(B) a benefit payable to the household for living expenses under—

(i) State or local general assistance program; or

(ii) other basic assistance program (as determined by the Secretary).

(2) Paragraph (1) shall not apply to—

(A) medical assistance;

(B) child care assistance;

(C) energy assistance;

(D) assistance provided by a State or local housing authority; or

(E) emergency and special assistance, to the extent excluded in regulations prescribed by the Secretary.

(3) For purposes of subsection (d)(1), educational loans on which payment is deferred, grants, scholarships, fellowships, veterans' educational benefits, and the like, provided to a third party on behalf of a household, shall be treated as money payable directly to the household.

(l) If the amount of benefits received by a household under a State plan for aid to families with dependent children approved under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) or the supplemental security income program established under title XVI of such Act (42 U.S.C. 1381 et seq.) is reduced or terminated as the result of the receipt of a nonrecurring lump-sum payment, the income of the household for purposes of the food stamp program shall include the amount of such benefits the household would have received but for such payment.

(m) If a State agency excludes payments from income for purposes of the food stamp program under subsection (d)(13), such State agency shall pay to the Federal Government, in a manner prescribed by the Secretary, the cost of any additional benefits provided to households in such State that arise under such program as the results of such exclusion.

(n) Notwithstanding section 142(b) of the Job Training Partnership Act (29 U.S.C. 1552(b)), allowances, earnings, and payments received by individuals as a result of participation in a program authorized under such Act shall be considered income for purposes of the food stamp program.

ELIGIBILITY DISQUALIFICATIONS

SEC. 6. (a) * * *

(c) No household shall be eligible to participate in the food stamp program if it refuses to cooperate in providing information to the Stage agency that is necessary or making a determination of its eligibility or for completing any subsequent review of its eligibility.

(1) State agencies shall require [certain categories of households, including all households with earned income, except migrant farmworker households, all households with potential earners, including individuals receiving unemployment compensation benefits and individuals required by section 6(d) of this Act to register for work, and all households required to file a similar report under title IV-A of the Social Security Act, but not including households that have no earned income and in which all adult members are elderly or disabled members,] *households with respect to which household income is required by section 5(f)(2)(C) to be determined on a retrospective basis* to file periodic reports of households circumstances in accordance with standards prescribed by the Secretary, except that a State agency may, with the prior approval of the Secretary, select categories of households which may report at specified less frequent intervals upon a showing by the State agency, which is satisfactory to the Secretary, that to require households in such categories to report monthly would result in unwarranted expenditures for administration of this subsection. The Secretary may permit State agencies to accept, as satisfying the requirement that households report at such specified less frequent intervals, (i) recertifications conducted in accordance with section 11(e)(4) of this Act, (ii) in-person interviews conducted during a certification period, (iii) written reports filed by households, or (iv) such other documentation or actions as the Secretary may prescribe. *State agencies may*

quire households, other than households with respect to which household income is required by section 5(f)(2)(A) to be calculated on a prospective basis, to file periodic reports of household circumstances in accordance with standards prescribed under the preceding provisions of this paragraph by the Secretary. Each household that is not required to file such periodic reports on a monthly basis shall be required to report or cause to be reported to the State agency changes in income or household circumstances which the Secretary deems necessary in order to assure accurate eligibility and benefit determinations.

(d)(1) Unless otherwise exempted by the provisions of paragraph (d)(2) of this subsection, no household shall be eligible for assistance under this Act if it includes a physically and mentally fit person between the ages of [eighteen] *sixteen* and sixty who (i) refuses at the time of application and once every twelve months thereafter to register for employment in a manner determined by the Secretary; [(ii) refuses to fulfill whatever reasonable reporting and inquiry about employment requirements as are prescribed by the Secretary, which may include a requirement that, at the option of the State agency, such reporting and inquiry commence at the time of application;] *(ii) refuses without good cause to participate in an employment and training program under paragraph (4), to the extent required under such paragraph, including such reasonable employment requirements as are prescribed by the State agency in accordance with such paragraph, except that the period of ineligibility under this clause shall be two months;* (iii) is head of the household and voluntarily quits any job without good cause: *Provided,* That the period of ineligibility shall be ninety days; or (iv) refuses without good cause (including the lack of adequate child care for children above the age of five and under the age of twelve) to accept an offer of employment at a wage not less than the higher of either the applicable State or Federal minimum wage, or 80 per centum of the wage that would have governed had the mainimum hourly rate under the Fair Labor Standards Act of 1938, as amended (29 U.S.C. 206(a)(1)), been applicable to the offer of employment, and at a site or plant not then subject to a strike or lockout. An employee of the Federal Government, or of a State or political subdivision of a State, who engaged in a strike against the Federal Government, a State or political subdivision of a State and is dismissed from his job because of his participation in the strike shall be considered to have voluntarily quit such job without good cause. *A period of ineligibility for a violation of a requirement of this paragraph shall terminate when the household member who committed the violation complies with such requirement. If the household member who committed the violation leaves the household during the period of ineligibility, such household shall no longer be subject to a sanction for such violation and, if the household is otherwise eligible, may resume participation in the program. Any other household that such person thereafter joins shall be ineligible for the balance of the period of ineligibility.*

(2) A person who otherwise would be required to comply with the requirements of paragraph (1) of this subsection shall be exempt from such requirements if he or she is (A) currently subject to and complying with a work registration requirement under title IV of

the Social Security Act, as amended (42 U.S.C. 602), or the Federal-State unemployment compensation system, in which case, failure by such person to comply with any work requirement to which such person is subject that is comparable to a requirement of paragraph (1) shall be the same as failure to comply with that requirement of paragraph (1); (B) a parent or other member of a household with responsibility for the care of [a dependent child under age six or of an incapacitated person] *(i) a dependent child under age six, except that a State agency may require such parent or guardian to comply with such work requirements if the child is age three or over and adequate child care is available, or (ii) an incapacitated person;* (C) a bona fide student enrolled at least half time in any recognized school, training program, or institution of higher education (except that any such person enrolled in an institution of higher education shall be ineligible to participate in the food stamp program unless he or she meets the requirements of subsection (e) of this section); (D) a regular participant in a drug addiction or alcoholic treatment and rehabilitation program; [or] (E) employed a minimum of thirty hours per week or receiving weekly earnings which equal the minimum hourly rate under the Fair Labor Standards Act of 1938, as amended (29 U.S.C. 206(a)(1)), multiplied by thirty hours*; or (F) a person between the ages of sixteen and eighteen who is not a head of a household or who is attending school on a full-time basis.*

* * * * * * *

(4)(A) A State agency shall implement an employment and training program designed by the State agency, pursuant to guidelines established by the Secretary, to assist members of households receiving benefits under this Act in gaining skills, training, or experience that will increase their ability to obtain regular employment.

(B) In the case of persons who participated in the food stamp program for a period of more than 30 consecutive days and who are subject to employment requirements under this section, a State agency shall place in such program not less than—

(i) by September 30, 1987, 25 percent of such persons;

(ii) by September 30, 1988, 35 percent of such persons; and

(iii) by September 30, 1990 and thereafter, 45 percent of such persons.

(C) For purposes of this Act, an "employment and training program" means a program that—

(i) contains one or more of the components described in subparagraph (D), (E), (F), or (G); and

(iii) meets criteria established by the Secretary.

(D) A job search training program described in this subparagraph shall include, to the extent determined appropriate by the State agency, reasonable job search training and support activities that may consist of jobs skills assessments, job finding clubs, training in techniques for employability, job placement services, or other direct training or support activities, including education programs, determined by the State agency to expand the job search abilities or employability of persons subject to the program.

(E)(i) A program described in this subparagraph shall be designed—

(I) to improve the employability of household members through actual work experience or training, or both; and

(II) to enable individuals employed under such program to become employed promptly in regular public or private employment.

(ii) A State agency may use a facility of a State public employment office or agency operating a program under the Job Training Partnership Act (29 U.S.C. 1501 et seq.) to find employment and training opportunities for household members under the program described in this subparagraph.

(iii) A State agency shall limit an employment or training experience assignment under such program to a project that serves a useful public purpose in a field such as health, social services, environmental protection, education, urban and rural development and redevelopment, walfare, recreation, public facilities, public safety, or daycare.

(iv) To the extent possible, a State agency shall use the prior training, experience, and skills of a member participating in such program in making appropriate employment experience assignments under such program.

(v) In carrying out a program under this subparagraph, a State agency—

(I) shall not provide any work that has the effect of replacing the employment of an individual not participating in such program; and

(II) shall provide the same benefits and working conditions that are provided at the job site to employees performing comparable work for comparable hours.

(F) A program described in this subparagraph shall include a workfare program operated under section 20.

(G) A program described in this subparagraph shall include other programs, projects, and experiments (such as a supported work program), approved by the Secretary, that are aimed at accomplishing the purposes of employment and training programs established under this paragraph.

(H) A State agency may provide that participation in an employment and training program established under this paragraph may supplement or supplant other requirements imposed on individuals subject to such program.

(I)(i) In carrying out a program under this paragraph, a State agency may exempt, in accordance with criteria established by the Secretary, a category of household members from a requirement imposed under such program if the State agency determines that the application of such requirement to such category is impracticable due to factors such as the availability of work opportunities and the cost effectiveness of employment requirements.

(ii) In making a determination under clause (i), a State agency may designate a category consisting of all such household members residing in a specified area of a State.

(iii) A State agency shall also exempt from such requirement, or suspend the application of such requirement to, an individual household member not included in such category but with respect to whom the State agency determines that the application of such requirement is impracticable due to personal circumstances such as a

lack of job readiness and employability, the remote location of work opportunities, and unavailability of dependent care.

(iv) An exemption of a category or member by a State agency under this subparagraph shall not affect the requirement of such agency to comply with subparagraph (B).

(J)(i) The total number of hours of work in an employment and training program carried out under this paragraph required of members of a household in any month collectively, together with the hours of work of such members in any program carried out under section 20, may not exceed a number of hours equal to the allotment of the household for such month divided by the higher of the applicable State minimum wage or the Federal minimum hourly rate under the Fair Labor Standards Act of 1938 (29 U.S.C. 201 et seq.).

(ii) The total number of hours of participation in such program required of any member of a household, individually, in any month, together with any hours worked in any program carried out under section 20 and any hours worked for compensation (in cash or in kind) in any other capacity, may not exceed 120 hours per month.

(K)(i) A State agency shall establish such requirements as the State agency determines to be appropriate for individuals required to participate in a program described in subparagraph (C) that the State agency has not selected as a result of such subparagraph. Such requirement may vary among participants.

(ii) A State agency may operate a program described in subparagraph (C) that the State agency has not selected as a result of such subparagraph.

(iii) A State agency shall permit individuals not required to participate in an employment and training program, or who have completed or are in the process of participating in such program, to participate in any program established under this paragraph.

(L) The Secretary shall issue guidelines that, to the maximum extent practicable, enable a State agency to design and operate an employment and training program under this paragraph that is compatible and consistent with similar programs operated within the State.

(M) A State agency shall reimburse participants for the actual costs of transportation, and other actual costs, that are reasonably necessary and directly related to participation in the program but not to exceed $25 in the aggregate per month.

(N)(i) The Secretary shall assure that State agencies comply with the requirements of this paragraph and section 11(e)(22).

(ii) If the Secretary determines that a State agency has failed to comply with such a requirement, the Secretary may withhold from such State in accordance with section 16 (a), (c), and (h) such funds as the Secretary determines to be appropriate, subject to administrative and judicial review under section 14.

(O) The Secretary shall ensure, to the extent practicable and in cooperation with the Secretary of Labor, that employment and training programs are provided to Indians residing on an Indian reservation in proportion to the number of persons described in subparagraph (B) that reside on such reservation.

* * * * * * *

(f) No individual who is a member of a household otherwise eligible to participate in the food stamp program under this section shall be eligible to participate in the food stamp program as a member of that or any other household unless he or she is (1) a resident of the United States and (2) either (A) a citizen or (B) an alien lawfully admitted for permanent residence as an immigrant as defined by sections 101(a)(15) and 101(a)(20) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15) and 8 U.S.C. 1101(a)(20)), excluding, among others, alien visitors, tourists, diplomats, and students who enter the United States temporarily with no intention of abandoning their residence in a foreign country; or (C) an alien who entered the United States prior to June 30, 1984, or such subsequent date as is enacted by law, has continuously maintained his or her residence in the United States since then, and is not ineligible for citizenship, but who is deemed to be lawfully admitted for permanent residence as a result of an exercise of discretion by the Attorney General pursuant to section 249 of the Immigration and Nationality Act (8 U.S.C. 1259); or (D) in alien who has qualified for conditional entry pursuant to [section 203(a)(7) of the Immigration and Nationality Act (8 U.S.C. 1153(a)(7)) because of persecution or fear of persecution on account of race, religion, or political opinion or because of being uprooted by catastrophic natural calamity] *sections 207 and 208 of the Immigration and Nationality Act (8 U.S.C. 1157 and 1158)* or (E) an alien who is lawfully present in the United States as a result of an exercise of discretion by the Attorney General for emergent reasons or reasons deemed strictly in the public interest pursuant to section 212(d)(5) of the Immigration and Nationality Act (8 U.S.C. 1182(d)(5)); or (F) an alien within the United States as to whom the Attorney General has withheld deportation pursuant to section 243 of the Immigration and Nationality Act (8 U.S.C. 1253(h)) [because of the judgment of the Attorney General that the alien would otherwise be subject to persecution on account of race, religion, or political opinion]. No aliens other than the ones specifically described in clauses (B) through (F) of this subsection shall be eligible to participate in the food stamp program as a member of any household. The income [less a pro rata share] and financial resources of the individual rendered ineligible to participate in the food stamp program under this subsection shall be considered in determining the eligibility and the value of the allotment of the household of which such individual is a member.

ISSUANCE AND USE OF COUPONS

SEC. 7. (a) Coupons shall be printed under such arrangements and in such denominations as may be determined by the Secretary to be necessary, and shall be issued only to households which have been duly certified as eligible to participate in the food stamp program.

(b) Coupons issued to eligible households shall be used by them only to purchase food in retail food stores which have been approved for participation in the food stamp program at prices prevailing in such stores, *except that the transaction of coupons may not be a taxable event: Provided,* That nothing in this Act shall be construed as authorizing the Secretary to specify the prices at which food may be sold by wholesale food concerns or retail food stores: *Provided further,* That eligible households using coupons to purchase food may receive cash in change therefor so long as the cash received does not equal to exceed the value of the lowest coupon denomination issued.

* * * * * * *

(g)(1) If the Secretary determines, in consultation with the Inspector General of the Department of Agriculture, that it would improve the integrity of the food stamp program, the Secretary [may] *shall* require a State agency—

(A) to issue or deliver coupons using alternative methods, including an automatic data processing and information retrieval system; or

(B) to issue, in lieu of coupons, reusable documents to be used as part of an automatic data processing and information retrieval system and to be presented by, and returned to, recipients at retail food stores for the purposes of purchasing food.

(2) The cost of documents or systems that may be required pursuant to this subsection may not be imposed upon a retail food store participating in the food stamp program.[70] (7 U.S.C. 2016)

Sec. 8. (a) * * *

(e)(1) The Secretary may permit a State, on request, to operate a program under which a household shall be consideed to have satisfied the application requirements prescribed under section 5(a) and the income and resource requirements prescribed under subsections (d) through (g) of section 5 if such household—

(A) includes one or more members who are recipients of—

(i) aid to families with dependent children under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.);

(ii) supplemental security income under title XVI of such Act (42 U.S.C. 1381 et seq.); or

(iii) medical assistance under title XIX of such Act (42 U.S.C. 1396 et seq.); and

(B) has an income that does not exceed the applicable income standard of eligibility described in section 5(c).

(2) Except as provided in paragraph (3), a State that elects to operate a program under this subsection shall base the value of an allotment provided to a household under subsection (a) on—

(A)(i) the size of the household; and

(ii)(I) benefits paid to such household under a State plan for aid to families with dependent children approved under part A of title IV of the Social Security Act; or

(II) the income standard of eligibility for medical assistance under title XIX of such Act; or

(B) at the option of the State, the standard of need for such size household under the programs referred to in clause (A)(ii).

(3) The Secretary shall adjust the value of allotments received by households under a program operated under this subsection to ensure that the average allotment by household size for households participating in such program and receiving such aid to families with dependent children, such supplemental security income, or such medical assistance, as the case may be, is not less than the average allotment that would have been provided under this Act

but for the operation of this subsection, for each category of households, respectively, in a State, for any period during which such program is in operation.

(4) The Secretary shall evaluate the impact of programs operated under this subsection on recipient households, administrative costs, and error rates.

(5) The administrative costs of such programs shall be shared in accordance with section 16.

(6) In implementing this section, the Secretary shall consult with the Secretary of Health and Human Services to ensure that to the extent practicable, in the case of households participating in such programs, the processing of applications for, and determinations of eligibility to receive, food stamp benefits are simplified and are unified with the processing of applications for, and determinations of eligibility to recieve, benefits under such titles of the Social Security Act (42 U.S.C. 601 et seq.).

APPROVAL OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS

SEC. 9. (a) Regulations issued pursuant to this Act shall provide for the submission of applications for approval by retail food stores and wholesale food concerns which desire to be authorized to accept and redeem coupons under the food stamp program and for the approval of those applicants whose participation will effectuate the purposes of the food stamp program. In determining the qualifications of applicants, there shall be considered among such other factors as may be appropriate, the following: (1) the nature and extent of the food business conducted by the applicant; (2) the volume of coupon business which may reasonably be expected to be conducted by the applicant food store or wholesale food concern; and (3) the business integrity and reputation of the applicant. Approval of an applicant shall be evidenced by the issuance to such applicant of a nontransferable certificate of approval.

(b)(*1*) No wholesale food concern may be authorized to accept and redeem coupons unless the Secretary determines that its participation is required for the effective and efficient operation of the food stamp program. In addition, no firm may be authorized to accept and redeem coupons as both a retail food store and as a whole food concern at the same time.

(2)(A) If a buyer or transferee of a retail food store or wholesale food concern has actual or constructive notice of an outstanding civil penalty imposed under section 12(f) at the time of the sale or transfer of such store or concern, such store or concern may not accept or redeem coupons until the Secretary receives full payment of such penalty.

(B) To the extent permitted under law, the Secretary shall ensure that an encumbrance created under this paragraph is recorded in an appropriate State or local public office.

(C) The seller or transferor of such store or concern shall advise a buyer or transferee prior to the sale or transfer of the limitation imposed by this paragraph.

(D) The store or concern of the buyer or transferee may not, as a result of the sale or transfer of such store or concern, be required to furnish a bond under section 12(d).

(c) Regulations issued pursuant to this Act shall require an applicant retail food store or wholesale food concern to submit information which will permit a determination to be made as to whether such applicant qualifies, or continues to qualify, for approval under the provisions of this act or the regulations issued pursuant to this Act. Regulations issued pursuant to this Act shall provide for safeguards which limit the use or disclosure of information obtained under the authority granted by this subsection to purposes directly connected with administration and enforcement of the provisions of [this Act or the regulations issued pursuant to this Act.] *This Act or section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786) or the regulations issued to carry out this Act or such section.* Such purposes shall not exclude the audit and examination of such information by the Comptroller General of the United States authorized by any other provision of law.

REDEMPTION OF COUPONS

SEC. 10. Regulations issued pursuant to this Act shall provide for the redemption of coupons accepted by retail food stores through approved wholesale food concerns or through financial institutions which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, with the cooperation of the Treasury Department, except that retail food stores defined in section 3(k)(4) of this Act shall be authorized to redeem their members' food coupons prior to receipt by the members of the food so purchased, and *publicly operated community health centers or* private nonprofit organizations or institutions which serve meals to narcotics addicts or alcholics in drug addiction or alcoholic treatment and rehabilitation programs, public and private nonprofit shelters that prepare and serve meals for battered women and children, and public or private nonprofit group living arrangements that serve meals to disabled or blind residents shall not be authorized to redeem coupons through financial institutions which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. *A financial institution may not impose on, or collect from, a retail food store a fee or other charge for the redemption of coupons that are submitted to the financial institution in order to defray the costs of complying with a requirement, other than a requirement relating to the cancellation of coupons, for the presentation of coupons by the financial institution to a Federal Reserve bank.*

SEC. 11. (a) * * *

(e) The State plan of operation required under subsection (d) of this section shall provide, among such other provisions as may be required by regulation—

(1) that the State agency shall (A) not conduct food stamp outreach activities with funds provided under this Act; and (B) use appropriate bilingual personnel and printed material in the administration of the program in those portions of political subdivisions in the State in which a substantial number of members of low-income households speak a language other than English;

(2) that each household which contacts a food stamp office in person during office hours to make what may reasonably be interpreted as an oral or written request for food stamp assistance shall receive and shall be permitted to file, on the same day that such contact is first made, a simplified, uniform national application form for participation in the food stamp program designed by the Secretary, unless the Secretary approves a deviation from that form by a particular State agency because of the use by that agency of a dual public assistance food stamp application form pursuant to subsection (i) of this section, the requirements of an agency's computer system, or other exigencies as determined by the Secretary. Each application form shall contain a description in understandable terms in prominent and boldface lettering of the appropriate civil and criminal provisions dealing with violations of this Act, including the penalties therefor, by members of an eligible household. Each application shall also contain in understandable terms and in prominent and boldface lettering a statement that the information provided by the applicant in connection with the application for a coupon allotment will be subject to verfication by Federal, State, and local officials to determine if such information is factual and that if any material part of such information is incorrect, food stamps may be denied to the applicant, and that the applicant may be subjected to criminal prosecution for knowingly providing incorrect information. The State agency shall comply with the standards established by the Secretary for telephone contact by, mail delivery of forms to and mail return of forms by, and subsequent home or telephone interview with, the elderly, physically or mentally handicapped, and persons otherwise unable, solely because of transportation difficulties and similar hardships, to appear in person at a certification office or through a representative pursuant to paragraph (7) of this subsection, so that such persons may have an adequate opportunity to be certified properly[;]. *The State agency shall provide a method of certifying and issuing coupons to eligible households that do not reside in permanent dwellings or who do not have fixed mailing addresses. In carrying out the preceding sentence, the State agency shall take such steps as are necessary to ensure that participation in the food stamp program is limited to eligible households. Each adult member of a household that is applying for a coupon allotment (or in the case of a household described in paragraph (9)(A), an adult member of such household that is applying for a coupon allotment) or is required to file a periodic or other report under section 6(c)(1) shall be required to certify in writing, under penalty of perjury, the truth of the information contained in the application for the allotment or the report, respectively;*

(3) that the State agency shall thereafter promptly determine the eligibility of each applicant household by way of verification [only] of income other than that determined to be excluded by section 5(d) of this Act (in part through the use of the information, if any, obtained under section 16(e) of this Act), *household size (in any case such size is questionable),* and

such other eligibility factors as the Secretary determines to be necessary to implement sections 5 and 6 of this Act, although the State agency may verify prior to certification, whether questionable or not, the size of any applicant household and [any factors of eligibility involving households that fall within the State agency's error-prone household profiles as developed by the State agency from the error rate reduction system conducted under section 16 of this Act and as approved by the Secretary] *such other eligibility factors as the State agency determines are necessary,* so as to complete certification of and provide an allotment retroactive to the period of application to any eligible household not later than thirty days following its filing of an application;

* * * * * * *

(16) that the State agency shall require each household certified as eligible to participate by methods other than the out-of-office methods specified in the [last sentence] *fourth sentence* of paragraph (2) of this subsection in those project areas or parts of project areas in which the Secretary, in consultation with the Department's Inspector General, finds that it would be useful to protect the program's integrity, *and would be cost effective,* to present a photographic identification card when using its authorization card in order to receive its coupons[;]. *The State agency may permit a member of a household to comply with this paragraph by presenting a photographic identification card used to receive assistance under a welfare or public assistance program;*

(17) notwithstanding paragraph (8) of this subsection, for the immediate reporting to the Immigration and Naturalization Service by the State agency of a determination by personnel responsible for the certification or recertification of households that any member of a household is ineligible to receive food stamps because that member is present in the United States in violation of the Immigration and Nationality act;

(18) at the option of the State agency, for the establishment and operation of an automatic data processing and information retrieval system that meets such conditions as the Secretary may prescribe and that is designed to provide efficient and effective administration of the food stamp program;

(19) that—

(A) in any case in which information is available from agencies administering State unemployment compensation laws under section 303(d) of the Social Security Act (42 U.S.C. 503(d)), the information shall be requested and utilized by the State agency to the extent permitted under such section; or

(B) in any case in which information is not available from agencies administering State unemployment compensation laws under section 303(d) of the Social Security Act—

(i) information available from the Social Security Administration under section 6103(1)(7) of the Internal Revenue Code of 1954 shall be requested and utilized by the State agency to the extent permitted under such section; or

(ii) similar information available from other sources shall be requested and utilized by the State agency to the extent approved by the Secretary and permitted by any law controlling access to the information;

(20) that, in project areas or parts thereof where authorization cards are used, and eligible households are required to present photographic identification cards in order to receive their coupons, the State agency shall include, in any agreement or contract with a coupon issuer, a provision that (A) the issuer shall (i) require the presenter to furnish a photographic identification card at the time the authorization card is presented, and (ii) record on the authorization card the identification number shown on the photographic identification card; and (B) if the State agency determines that the authorization card has been stolen or otherwise was not received by a household certified as eligible, the issuer shall be liable to the State agency for the face value of any coupons issued in the transaction in which such card is used and the issuer fails to comply with the requirements of clause (A) of this paragraph; [and]

(21) that the State agency shall establish a system and take action on a periodic basis to verify and otherwise assure that an individual does not receive coupons in more than one jurisdiction within the State*;*

(22) the plans of the State agency for carrying out employment and training programs under section 6(d)(4), including the nature and extent of such programs and the geographic areas and households to be covered under such programs;

(23) at the option of the State agency, for the staggered issuance of coupons to recipients throughout a month, except that not more than 40 days may elapse between the issuance of coupons to a household as a result of such staggered issuance;

(24) in a project area in which 5,000 or more households participate in the food stamp program, for the establishment and operation of a unit for the detection of fraud in the food stamp program, including the investigation, and assistance in the prosecution, of such fraud; and

(25) at the option of the State, for procedures necessary to obtain payment of uncollected overissuance of coupons from unemployment compensation pursuant to section 13(c).

(i) Notwithstanding any other provision of law, the Secretary and the Secretary of Health and Human Services shall develop a system by which (1) a single interview shall be conducted to determine eligibility for the food stamp program and the aid to families with dependent children program under part A of title IV of the Social Security Act; (2) households in which all members are *applicants for or* recipients of supplemental security income shall be **[**permitted to apply for participation in the food stamp program by executing a simple application at the social security office**]** *informed of the availability of benefits under the food stamp program, and the availability of assistance in making a simple application to participate in such program, at a local office of the Social Security Administration* and be certified for eligibility utilizing information contained in files of the Social Security Administration; (3) households in which all members are included in a federally aided public assistance or State or local general assistance grant shall have their application for participation in the food stamp program contained in the public assistance or general assistance application form; and (4) new applicants, as well as households which have recently lost or been denied eligibility for public assistance or general assistance, shall be certified for participation in the food stamp program based on information in the public assistance or general assistance case file to the extent that reasonably verified information is available in such case file. Each State agency shall implement clauses (1) and (2) and may implement clause (3) or (4), or both such clauses. *A State agency may not deny or terminate benefits to a household under the food stamp program solely on the basis of the denial or termination of benefits to such household under a State plan for aid to families with dependent children approved under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), the supplemental security income program established under title XVI of such Act (42 U.S.C. 1381 et seq.), or a State plan approved under title I, X, XIV, or XVI of such Act (42 U.S.C. 301 et seq.) without a separate determination by such agency that such household has failed to satisfy the eligibility requirements for participation in the food stamp program.*

[(j) The Secretary, in comjunction with the Secretary of Health and Human Services, is authorized to prescribe regulations permitting applicants for and recipients of social security benefits to apply for food stamps at social security offices and be certified for food stamp eligibility in such offices in order that the application and certification for food stamp assistance may be accomplished as efficiently and conveniently as possible.**]**

(j)(1) Under regulations prescribed by the Secretary in conjunction with the Secretary of Health and Human Services, an individual who is an applicant for or recipient of benefits under title II of the Social Security Act (42 U.S.C. 401 et seq.) shall be informed of the availability of benefits under the food stamp program, and the availability of a simple application to participate in such program, at a local office of the Social Security Administration.

(2) The Secretary and the Secretary of Health and Human Services shall revise the memorandum of understanding in effect on the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985, regarding services to be provided in such an office under this subsection and subsection (i), in a manner to ensure that—

(A) an applicant for or recipient of benefits under title II of the Social Security Act is adequately notified in such office that assistance may be available to such applicant or recipient under this Act;

(B) an application for assistance under this Act received from a household in which all members of such household are applicants for or recipients of assistance under the supplemental security income progam established under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.) be forwarded immediately after receipt to the State agency in an efficient and timely manner; and

(C) the Secretary of Health and Human Services receives from the Secretary reimbursement for costs incurred to carry out this subsection and subsection (i).

CIVIL MONEY PENALTIES AND DISQUALIFICATION OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS

SEC. 12. (a) Any approved retail food store or wholesale food concern may be disqualified for a specified period of time from further participation in the food stamp program, or subjected to a civil money penalty of up to $10,000 for each violation if the Secretary determines that its disqualification would cause hardship to food stamp households, on a finding, made as specified in the regulations, that such store or concern has violated any of the provisons of this Act or the regulations issued pursuant to this Act.

(b) Disqualification under subsection (a) shall be—

(1) for a reasonable period of time, of no less than six months nor more than five years, upon the first occasion of disqualification;

(2) for a reasonable period of time, of no less than twelve months nor more than ten years, upon the second occasion of disqualification; and

(3) permanent upon the third occasion of disqualification or the first occasion of a disqualification based on the purchase of coupons or trafficking in coupons or authorization cards by a retail food store or wholesale food concern.

(c) The action of disqualification or the imposition of a civil money penalty shall be subject to review as provided in section 14 of this Act.

(d) As a condition of authorization to accept and redeem coupons, the Secretary may require a retail food store or wholesale food concern which has been disqualified or subjected to a civil penalty pursuant to subsection (a) to furnish a bond to cover the value of coupons which such store or concern may in the future accept and redeem in violation of this Act. The Secretary shall, by regulation, prescribe the amount, terms, and conditions of such bond. If the Secretary finds that such store or concern has accepted and redeemed coupons in violation of this Act after furnishing such bond, such store or concern shall forfeit to the Secretary an amount of such bond which is equal to the value of coupons accepted and redeemed by such store or concern in violation of this Act. Such store or concern may obtain a hearing on such forfeiture pursuant to section 14.

(e) Notwithstanding section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786), a retail food store or wholesale food concern that has been disqualified under subsection (a) shall be ineligible during the period of disqualification to participate in the special supplemental food program established under section 17 of such Act.

(f)(1)(A) If a retail food store or wholesale food concern disqualified under subsection (a) is sold or otherwise transferred, such store or concern shall be subject to a civil money penalty.

(B) the amount of such penalty shall—

(i) be established by the Secretary through regulations; and

(ii) reflect that portion of the disqualification period that has not yet expired.

(C) If such store or concern has been disqualified permanently, the amount of such penalty shall be double the penalty imposed for a 10-year disqualification period, as determined under regulations issued by the Secretary.

(D) Notwithstanding the imposition of such penalty, the disqualification period imposed under subsection (b) shall continue in effect as to the seller or transferor of such store or concern.

(2)(A) After a civil money penalty imposed under paragraph (1) has become final pursuant to section 14(a), the Secretary may request the Attorney General to institute a civil action to collect such penalty in a district court of the United States for any district in which the person against whom the penalty is imposed is found, resides, or transacts business.

(B) Such court shall have jurisdiction to hear and decide such action.

(C) The validity and amount of such penalty shall not be subject to review in such action.

COLLECTION AND DISPOSITION OF CLAIMS

SEC. 13. (a)*(1)* The Secretary shall have the power to determine the amount of and settle and adjust any claim and to compromise or deny all or part of any such claim or claims arising under the provisions of this Act or the regulations issued pursuant to this Act, including, but no limited to, claims arising from fraudulent and nonfraudulent overissuances to recipients, including the power to waive claims if the Secretary determines that to do so would serve the purposes of this Act. Such powers whith respect to claims against recipients may be delegated by the Secretary to State agencies. The Secretary shall have the power to reduce amounts otherwise due to a State agency under section 16 of this Act to collect unpaid claims assessed against the State agency if the State agency has declined or exhausted its appeal rights under section 14 of this Act.

(2) Each adult member of a husehold shall be jointly and severally liable for the value of any overissuance of coupons.

(3) A State agency shall be liable for interest on a claim assessed against the State agency under this Act from the date of the final administrative determination made with respect to such claim under section 14(a).

(b)(1)(A) In the case of any ineligibility determination under section 6(b) of this Act, the household of which such ineligible individuals is a member is required to agree to a reduction in the allotment of the household of which such individual is a member, or payment in cash, in accordance with a schedule determined by the Secretary, that will be sufficient to reimburse the Federal Government for the value of any overissuance of coupons resulting from the activity that was the basis of the ineligibility determination. If a household refuses to make an election within thirty days of a demand for an election, or elects to make a payment in cash under the provisions of the preceding sentence and fails to do so, the household shall be subject to an allotment reduction.

(B) State agencies [may] *shall* collect any claim against a household arising from the overissuance of coupons based on an ineligibility determination under section 6(b), other than claims collected pursuant to subparagraph (A), by using other means of collection, *unless the State agency demonstrates to the satisfaction of the Secretary that such other means are not cost effective.*

(2)(A) State agencies shall collect any claim against a household arising from the overissuance of coupons, other than claims the collection of which is provided for in paragraph (1) of this subsection and claims arising from an error of the State agency, by reducing the monthly allotments of the household. *State agencies may collect any claim against a household arising from the overissuance of coupons as the result of an error of the State agency by reducing the monthly allotments of the household.* [These collection] *Collections under this subparagraph* shall be limited to 10 per centum of the monthly allotment (or $10 per month, whenever that would result in a faster collection rate).

(B) State agencies may collect any clam against a household arising from the overissuance of coupons, other than claims collected pursuant to paragraph (1) or sugparagraph (A), by using other means of collection.

(c)(1) As used in this subsection, the term "uncollected overissuance" means the amount of an overissuance of coupons, as determined under subsection (b)(1), that has not been recovered pursuant to subsection (b)(1).

(2) A State agency may determine on a periodic basis, from information supplied pursuant to section 3(b) of the Wagner-Peyser Act (29 U.S.C. 49b(b)), whether an individual receiving compensation under the State's unemployment compensation law (including amounts payable pursuant to an agreement under a Federal unemployment compensation law) owes an uncollected overissuance.

(3) A State agency may recover an uncollected overissuance—

(A) by—

(i) entering into an agreement with an individual described in paragraph (2) under which specified amounts will be withheld from unemployment compensation otherwise payable to the individual; and

(ii) furnishing a copy of the agreement to the State agency administering the unemployment compensation law; or

(B) in the absence of an agreement, by obtaining a writ, order, summons, or other similar process in the nature of garnishment from a court of competent jurisdiction to require the withholding of amounts from the unemployment compensation.

ADMINISTRATIVE AND JUDICIAL REVIEW

SEC. 14. (a) Whenever an application of a retail food store or wholesale food concern to participate in the food stamp program is denied pursuant to section 9 of this Act, or a retail food store or wholesale food concern is disqualified or subjected to a civil money penalty under the provisions of section 12 of this Act, or a retail food store or wholesale food concern forfeits a bond under section 12(d) of this Act, or all or part of any claim of a retail food store or wholesale food concern is denied under the provisions of section 13 of this Act, or a claim against a State agency is stated pursuant to the provisions of section 13 of this Act, notice of such administrative action shall be issued to the retail food store, wholesale food concern, or State agency involved. Such notice shall be delivered by certified mail or personal service. If such store, concern, or State agency is aggrieved by such action, it may, in accordance with regulations promulgated under this Act, within ten days of the date of delivery of such notice, file a written request for an opportunity to submit information in support of its position to such person or persons as the regulations may designate. If such a request is not made or if such store, concern or State agency fails to submit information in support of its position after filing a request, the administrative determination shall be final. If such request is made by such store, concern, or State agency, such information as may be submitted by the store, concern, or State agency, as well as such other information as may be available, shall be reviewed by the person or persons designated by the Secretary, who shall, subject to the right of judicial review hereinafter provided, make a determination which shall be final and which shall take effect thirty days after the date of the delivery or service of such final notice of determination. If the store, concern, or State agency feels aggrieved by such final determination, it may obtain judicial review thereof by filing a complaint against the United States in the United States court for the district in which it resides or is engaged in business, or, in the case of a retail food store or wholesale food concern, in any court of record of the State having competent jurisdiction, within thirty days after the date of delivery or service of the final notice of determination upon it, requesting the court to set aside such determination. The copy of the summons and complaint required to be delivered to the official or agency whose order is being attacked shall be sent to the Secretary or such person or persons as the Secretary may designate to receive service of process. The suit in the United States district court or State court shall be a trial de novo by the court in which the court shall determine the validity of the questioned administrative action in issue. If the court determines that such administrative action is invalid, it shall enter such judgment or order as it determines is in accordance with the law and the evidence. During the pendency of such judicial review, or any appeal therefrom, the administrative action under review shall be and remain in full force and effect, unless [an application] *on application* to the court on not less than ten days' notice, and after hearing thereon and a [showing of irreparable injury] *showing that the applicant is likely to prevail on the merits of the case,* the court temporarily stays such administrative action pending disposition of such trial or appeal.

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ADMINISTRATIVE COST-SHARING AND QUALITY CONTROL

SEC. 16. (a) The Secretary is authorized to pay to each State agency an amount equal to 50 per centum of all administrative costs involved in each State agency's operation of the food stamp program, which costs shall include, but not be limited to, the cost of (1) the certification of applicant households, (2) the acceptance, storage, protection, control, and accounting of coupons after their delivery to receiving points within the State, (3) the issuance of coupons to all eligible households, and (4) fair hearings: *Provided,* That the Secretary is authorized to pay each State agency an amount not less than 75 per centum of the costs of State food stamp program investigations and prosecutions, and is further authorized at the Secretary's discretion to pay any State agency administering the food stamp program on all or part of an Indian reservation under section 11(d) of this Act such amounts for administrative costs as the Secretary determines to be necessary for effective operation of the food stamp program, as well as to permit each State to retain 50 per centum of the value of all funds or allotments recovered or collected pursuant to section [13(b)(1) of this Act] *13 (b)(1) and (c)* and 25 per centum of the value of all funds or allotments recovered or collected pursuant to section 13(b)(2) of this Act, except the value of funds or allotments recovered or collected pursuant to section 13(b)(2) which arise from an error of a State agency.[118] The officials responsible for making determinations of ineligibility [119] under this Act shall not receive or benefit from revenues retained by the State under the provisions of this subsection.

(b) The Secretary shall (1) establish standards for the efficient and effective administration of the food stamp program by the States, *including standards for the periodic review of the hours that food stamp offices are open during the day, week, or month to ensure that employed individuals are adquately served by the food stamp program,* and (2) instruct each State to submit, at regular intervals, reports which shall specify the specific administrative actions proposed to be taken and implemented in order to meet the efficiency and effectiveness standards established pursuant to clause (1) of this subsection.

(c) The Secretary is authorized to adjust a State agency's federally funded share of administrative costs pursuant to subsection (a), other than the costs already shared in excess of 50 per centum under the proviso in the first sentence of subsection (a) or under subsection (g), by increasing such share to 60 per centum of all such administrative costs in the case of a State agency which has—

(1) a payment error rate as defined in subsection (d)(1) which, when added to the total percentage of all allotments underissued to eligible households by the State agency, is less than 5 per centum; and

(2) a rate of invalid decisions in denying eligibility which is less than a nationwide percentage which the Secretary determines to be reasonable.

(d)(1) As used in this subsection, the term "payment error rate" means the total percentage of all allotments issued in a fiscal year by a State agency which are either—

(A) issued to households which fail to meet basic program eligibility requirements; or

(B) overissued to eligible households.

[(2)(A) The Secretary shall institute an error rate reduction program under which, if a State agency's payment error rate exceeds—

[(i) 9 per centum for fiscal year 1983;

[(ii) 7 per centum for fiscal year 1984; or [(iii) 5 per centum for fiscal year 1985 or any fiscal year thereafter,

then the Secretary shall, other than for good cause shown or as provided in subparagraph (B), reduce the State agency's federally funded share of administrative costs provided pursuant to subsection (a), other than the costs already shared in excess of 50 per centum under the proviso in the first sentence of subsection (a) or under subsection (g), by the amounts required under paragraph (3).

[(B) The Secretary may not reduce a State agency's federally funded share of administrative costs pursuant to subparagraph (A)—

[(i) on the basis of the State agency's payment error rate for fiscal year 1983, if such payment error rate represents a reduction from the State agency's payment error rate for the period beginning on October 1, 1980, and ending on March 31, 1981, of at least 33.3 per centum of the difference between the State agency's payment error rate for such period and 5 per centum; or

[(ii) on the basis of the State agency's payment error rate for fiscal year 1984, if such payment error rate represents a reduction from the State agency's payment error rate for the period beginning on October 1, 1980, and ending on March 31, 1981, of at least 66.7 per centum of the difference between the State agency's payment error rate for such period and 5 per centum.

[(3)(A) The Secretary shall reduce a State agency's federally funded share of administrative costs, except as provided in subparagraph (B), by—

[(i) 5 per centum for each per centum or fraction thereof that the State agency's payment error rate exceeds the maximum payment error rate allowed for the fiscal year under paragraph (2); and

[(ii) if the State agency's payment error rate exceeds the maximum payment error rate allowed for the fiscal year under paragraph (2) by more than 3 per centum, an additional 5 per centum (for a total of 10 per centum) for each per centum or fraction thereof that the State agency's payment error rate exceeds the maximum payment error rate allowed for the fiscal year under paragraph (2) by more than 3 per centum.

[(B) The Secretary may not reduce a State agency's federally funded share of administrative costs for a fiscal year by an amount that exceeds the product of multiplying—

[(i) the per centum by which the State agency's payment error rate exceeds the maximum payment error rate allowed for the fiscal year under paragraph (2); by

[(ii) the total dollar value of all coupons issued by the State agency during the fiscal year.]

(2) If the payment error rate of a State agency for a fiscal year exceeds 5 percent, the State agency shall, other than for good cause shown, be liable to the Secretary for such fiscal year in an amount equal to—

(A) the sum of—

(i) the product obtained by multiplying—

(I) the number of percentage points (or a fraction thereof) by which such rate exceeds 5 percent (but not to exceed 2 points); by

(II) 75 percent of the total value of all coupons issued by the State agency for such fiscal year; and

(ii) the product obtained by multiplying—

(I) the number of percentage points (or a fraction thereof) by which such rate exceeds 7 percent; by

(II) the total value of all coupons issued by the State agency for such fiscal year; less

(B) 75 percent of the value of any amounts that—

(i) are recovered or collected by the State agency during such fiscal year under this Act for allotments—

(I) issued to ineligible households; or

(II) overissued to eligible households; and

(ii) are not retained by the State agency in accordance with subsection (a).

(3) If the liability of a State agency under this subsection is not contested by such agency or is ultimately determined to be valid, such penalty shall be collected by the Secretary by means of—

(A) payment by such State agency;

(B) withholding amounts otherwise payable to such agency under subsection (a); or

(C) other means of collection authorized under chapter 37 of title 31, United States Code.

(4) The Secretary may require a State agency to report any factors which the Secretary considers necessary to determine [the appropriate level of a State agency's federally funded share of administrative costs under this subsection] *the payment error rate of a State agency.* If a State agency fails to meet the reporting requirements established by the Secretary, the Secretary shall base the determination on all pertinent information available to the Secretary.

(5) If the Secretary [reduces a State agency's federally funded share of administrative costs] *determines that a State agency is liable* under this subsection, the State may seek administrative and judicial review of the action pursuant to section 14.

* * * * * * *

(h)(1) For the payment to each State agency of the full cost (except as otherwise provided in this subsection) of carrying out an employment and training program under section 6(d)(4), the Secretary shall allocate from funds appropriated for such fiscal year under section 18(a)(1)—

(A) for the fiscal year ending September 30, 1986, $40,000,000;

(B) for the fiscal year ending September 30, 1987, $50,000,000;

(C) for the fiscal year ending September 30, 1988, $60,000,000;

(D) for the fiscal year ending September 30, 1989, $75,000,000.

(2) If in carrying out such program a State agency incurs costs that exceed the amount payable to the State agency under paragraph (1), the Secretary shall pay such State agency in accordance with subsection (a) an amount equal to 50 percent of such additional costs.

(3) The Secretary shall in accordance with subsection (a) reimburse each State agency in an amount equal to 50 percent of the total amount of payments made or costs incurred by the State agency to reimburse participants for the actual costs of transportation, and other actual costs, that are reasonably necessary and directly related to participation in an employment and training program established under section 6(d)(4) but not to exced $25 in the aggregate per month.

(4) Funds provided to a State agency under this subsection—

(A) may be used only for operating an employment and training program under section 6(d)(4); and

(B) may not be used for carrying out other provisions of this Act.

(5)(A) The Secretary shall monitor the employment and training programs carried out by State agencies under section 6(d)(4) to measure their effectiveness in terms of—

(i) the increase in the numbers of household members who obtain employment; and

(ii) the numbers of such members who retain such employment,

as a result of their participation in such programs.

(B) Not later than January 1, 1989, the Secretary shall report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the effectiveness of such employment and training programs.

(i)(1) The Inspector General of the Department of Agriculture may use quality control information made available under this section to determine which project areas have payment error rates (as defined in subsection (d)(1)) that impair the integrity of the food stamp program.

(2) The Secretary may require a State agency to carry out new or modified procedures for the certification of households in areas identified under paragraph (1) if the Secretary determines such procedures would improve the integrity of the food stamp program and be cost effective.

(3) Not later than 12 months after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985, and each 12 months thereafter, the Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report that lists project areas identified under paragraph (1) and describes any procedures required to be carried out under paragraph (2).

RESEARCH, DEMONSTRATION, AND EVALUATIONS

SEC. 17(a) The Secretary may, by way of making contracts with or grants to public or private organizations or agencies, undertake research that will help improve the administration and effectiveness of the food stamp program in delivering nutrition-related benefits.

(b)(1) The Secretary may conduct on a trial basis, in one or more areas of the United States, pilot or experimental projects designed to test program changes that might increase the efficiency of the food stamp program and improve the delivery of food stamp benefits to eligible households, including projects involving the payment of the value of allotments or the average value of allotments by household size in the form of cash to eligible households all of whose members are age sixty-five or over or any of whose members are entitled to supplemental security income benefits under title XVI of the Social Security Act or to aid to families with dependent children under part A of title IV of the Social Security Act, the use of countersigned food coupons or similar identification mechanisms that do not invade a household's privacy, and the use of food checks or other voucher-type forms in place of food coupons. The Secretary may waive the requirements of this Act to the degree necessary for such projects to be conducted, except that no project, other than a project involving the payment of the average value to allotments by household size in the form of cash to eligible households, shall be implemented which would lower or further restrict the income or resource standards or benefit levels provided pursuant to section 5 and 8 of this Act. Any pilot or experimental project implemented under this paragraph and operating as of October 1, 1981, involving the payment of the value of allotments in the form of cash to eligible households all of whose members are either age sixty-five or over or entitled to supplemental security income benefits under title XVI of the Social Security Act shall be continued until October 1, [1985] *1989,* if the State so requests.

* * * * * * *

[(d) The Secretary may conduct no more than two statewide pilot projects (upon the request of a State) and no more than fourteen pilot projects in political subdivisions of States (upon the request of any such political subdivision) in which households that include one or more recipients of aid to families with dependent children under part A of title IV of the Social Security Act, of supplemental security income under title XVI of the Social Security Act, or of medical assistance under title XIX of the Social Security Act, and whose income does not exceed the applicable income standard of eligibility described in secion 5(c) of this Act shall be deemed to satisfy the application requirements prescribed under section 5(a) of this Act and the income and resource requirements prescribed under subsections (d) through (g) of section 5 of this Act. For any pilot project carried out under this subsection, allotments provided pursuant to section 8(a) of this Act shall be based upon household size and (1) benefits paid to such household under part A of title IV or title XVI of the Social Security Act, or (2) income as determined for eligibility under title XIX of the Social Security Act, or at the option of the political subdivision or the State, the standard of need for such size household under such programs, except that the Secretary shall adjust the value of such allotments as may be necessary to ensure that the average allotment by household size for households participating in such pilot project and receiving such aid to families with dependent children, such supplemental security income, or such medical assistance, as the case may be, is not less than the average allotment which would have been provided under this Act but for the operation of this subsection, for each category of households, respectively, in such pilot project area, for any period during which such pilot project is in operation. The Secretary shall evaluate the impact of such pilot projects on recipient households, administrative costs, and error rates. The administrative costs of such projects shall be shared in accordance with the provisions of section 16 of this Act. In implementing this section, the Secretary shall consult with the Secretary of Health and Human Services to ensure that to the extent practicable, in the case of households participating in such pilot projects, the processing of applications for, and determinations of eligibility to receive, food stamp benefits are simplified and are unified with the processing of applications for, and determinations of eligibility to receive, benefits under such titles of the Social Security Act.]

[(e)] (*d*)(1) As used in this subsection, the term "qualification period" means a period of time immediately preceding—

(A) in the case of a new applicant for benefits under this Act, the date on which application for such benefits is made by the individual; or

(B) in the case of an otherwise continuing recipient of coupons under this Act, the date on which such coupon would otherwise be issued to the individual.

(2) Upon application of a State or political subdivision thereof, the Secretary may conduct one pilot project involving the employment requirements described in this subsection in each of four project areas selected by the Secretary.

(3) Under the pilot projects conducted pursuant to this subsection, except as provided in paragraphs (4), (5), and (6), an individual who resides in a project area shall not be eligible for assistance under this Act if the individual was not employed a minimum of twenty hours per week, or did not participate in a workfare program established under section 20, during a qualification period of—

(A) thirty or more consecutive days, in the case of an individual whose benefits under a State or Federal unemployment compensation law were terminated immediately before such qualification period began; or

(B) sixty or more consecutive days, in the case of an individual not described in clause (A).

(4) The provisions of paragraph (3) shall not apply in the case of an individual who—

(A) is under eighteen or over fifty-nine years of age;

(B) is certified by a physician as physically or mentally unfit for employment;

(C) is a parent or other member of a household with responsibility for the care of a dependent child under six years of age or of an incapacitated person;

(D) is a parent or other caretaker of a child under six years of age in a household in which there is another parent who, unless covered by clause (A) or (B), or both such clauses, is employed a minimum of twenty hours per week or participating in a workfare program established under section 20;

(E) is in compliance with section 6(d) and demonstrates, in a manner prescribed by the Secretary, that the individual is able and willing to accept employment but is unable to obtain such employment; or

(F) is a member of any other group described by the Secretary.

(5) The Secretary may waive the requirements of paragraph (3) in the case of all individuals within all or part of a project area if the Secretary finds that such area—

(A) has an unemployment rate of over 10 per centum; or

(B) does not have a sufficient number of jobs to provide employment for individuals subject to this section.

(6) An individual who has become ineligible for assistance under this Act by reason of paragraph (3) may reestablish eligibility for assistance after a period of ineligibility by—

(1) becoming employed for a minimum of twenty hours per week during any consecutive thirty-day period; or

(2) participating in a workfare program established under section 20 during any consecutive thirty-day period.

[(f)**]** *(e)* The Secretary shall conduct a study of the effects of reductions made in benefits provided under this Act pursuant to part 1 of subtitle A of title I of the Omnibus Budget Reconciliation Act of 1981, the Food Stamp and Commodity Distribution Amendments of 1981, the Food Stamp Act Amendments of 1982, and any other laws enacted by the Ninety-seventh Congress which affect the food stamp program. The study shall include a study of the effect of retrospective accounting and periodic reporting procedures established under such Acts, including the impact on benefit and administrative costs and on error rates and the degree to which eligible households are denied food stamp benefits for failure to file complete periodic reports. The Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate an interim report on the results of such study no later than February 1, 1984, and a final report on the results of such study no later than March 1, 1985.

(f) The Secretary may conduct a pilot project to test the effect on households and retail food stores that participate in the food stamp program of requiring households that use coupons to purchase food to pay cash for the amount of such purchase that exceeds the value of the lowest coupon denomination issued.

AUTHORIZATION FOR APPROPRIATIONS

SEC. 18. (a)(1) To carry out the provisions of this Act, there are hereby authorized to be appropriated not in excess of $5,847,600,000 for the fiscal year ending September 30, 1978; not in excess of $6,778,900,000 for the fiscal year ending September 30, 1979; not in excess of $9,491,000,000 for the fiscal year ending September 30, 1980; not in excess of $11,480,000,000 [136] for the fiscal year ending September 30, 1981; not in excess of $11,300,000,000 for the fiscal year ending September 30, 1982; not in excess of $12,874,000,000 for the fiscal year ending September 30, 1983; not in excess of $13,145,000,000 for the fiscal year ending September 30, 1984; **[**and**]** not in excess of $13,933,000,000 for the fiscal year ending September 30, 1985*; not in excess of $12,984,000,000 for the fiscal year ending September 30, 1986; not in excess of $13,572,000,000 for the fiscal year ending September 30, 1987; not in excess of*

$14,154,000,000 for the fiscal year ending September 30, 1988; and not in excess of $14,695,000,000 for the fiscal year ending September 30, 1989,

* * * * * * *

(e) Funds collected from claims against households or State agencies, including claims collected pursuant to sections 7(f), 11 (g) and (h), and [13(b) of this Act] *13 (b) and (c),* claims resulting from resolution of audit findings, and claims collected from households receiving over-issuances, shall be credited to the food stamp program appropriation account for the fiscal year in which the collection occurs. Funds provided to State agencies under section 16(c) of this Act shall be paid from the appropriation account for the fiscal year in which the funds are provided.

(f) No funds appropriated to carry out this Act may be transferred to the Office of the Inspector General, or the Office of the General Counsel, of the Department of Agriculture.

BLOCK GRANT

SEC. 19. (a)(1)(A) From the sums appropriated under this Act the Secretary shall, subject to the provisions of this subsection and subsection (b), pay to the Commonwealth of Puerto Rico not to exceed $825,000,000 for each fiscal year to finance 100 per centum of the expenditures for food [noncash] assistance provided to needy persons, and 50 per centum of the administrative expenses related to the provision of such assistance.

(B) The payments to the Commonwealth for any fiscal year shall not exceed the expenditures by that jurisdiction during that year for the provision of the assistance the provision of which is included in the plan of the Commonwealth approved under subsection (b) and 50 per centum of the related administrative expenses.

(2) The Secretary shall, subject to the provisions of subsection (b), pay to the Commonwealth for the applicable fiscal year, at such times and in such manner as the Secretary may determine, the amount estimated by the Commonwealth pursuant to subsection (b)(1)(A)(iv), reduced or increased to the extent of any prior overpayment or current underpayment which the Secretary determines has been made under this section and with respect to which adjustment has not already been made under this subsection.

(b)(1)(A) In order to receive payments under this Act for any fiscal year, the Commonwealth shall have a plan for that fiscal year approved by the Secretary under this section. By [July 1] *April 1* of each year, if the Commonwealth wishes to receive payments, it shall submit a plan for the provision of the assistance described in subsection (a)(1)(A) for the following fiscal year which—

(i) designates [a single agency which shall be] *the agency or agencies directly* responsible for the administration, or supervision of the administration, of the program for the provision of such assistance;

(ii) assesses the food and nutrition needs of needy persons residing in the Commonwealth;

(iii) describes the program for the provision of such assistance, including the assistance to be provided and the persons to whom such assistance will be provided, and any agencies designated to provide such assistance, which program must meet such requirements as the Secretary may by regulation prescribe for the purpose of assuring that assistance is provided to the most needy persons in the jurisdiction;

(iv) estimates the amount of expenditures necessary for the provision of the assistance described in the program and related administrative expenses, up to the amount provided for payment by subsection (a)(1)(A); and

(v) includes such other information as the Secretary may require.

* * * * * * *

WORKFARE

SEC. 20. (a)(1) The Secretary shall permit any political subdivision, in any State, that applies and submits a plan to the Secretary in compliance with guidelines promulgated by the Secretary to operate a workfare program pursuant to which every member of a household participating in the food stamp program who is not exempt by virtue of the provisions of subsection (b) of this section shall accept an offer from such subdivision to perform work on its behalf, or may seek an offer to perform work, in return for compensation consisting of the allotment to which the household is entitled under section 8(a) of this Act, with each hour of such work entitling that household to a portion of its allotment equal in value to 100 per centum of the higher of the applicable State minimum wage or the Federal minimum hourly rate under the Fair Labor Standards Act of 1938.

(2)(A) The Secretary shall promulgate guidelines pursuant to paragraph (1) which, to the maximum extent practicable, enable a political subdivision to design and operate a workfare program under this section which is compatible and consistent with similar workfare programs operated by the subdivision.

(B) A political subdivision may comply with the requirements of this section by operating—

(i) a workfare program pursuant to title IV of the Social Security Act (42 U.S.C. 601 et seq.); or

(ii) any other workfare program which the Secretary determines meets the provisions and protections provided under this section.

[(b) The household members who shall be exempt from workfare requirements are those who are either (1) mentally or physically unfit; (2) under eighteen years of age; (3) sixty years of age or over; (4) at the option of the operating agency, subject to and currently actively and satisfactorily participating at least twenty hours a week in a work training program under a work registration requirement pursuant to title IV of the Social Security Act; (5) a parent or other member of a household with responsibility for the care of a child under age six or of an incapacitated person; (6) a parent or other caretaker of a child in a household where there is another member who is subject to the requirements of this subsection or is employed full time; (7) a regular participant in a drug addiction or alcoholic treatment and rehabilitation program; or (8) an individual described in section 6(d)(2) (D) or (F) of this Act.]

(b)(1) A household member shall be exempt from workfare requirements imposed under this section if such member is—

(A) exempt from section 6(d)(1) as thre result of clause (B), (C), (D), (E) or (F) of section 6(d)(2); or

(B) at the option of the operating agency, subject to a currently actively and satisfactorily participating at least 20 hours a week in a work training program required under title IV of the Social Security Act (42 U.S.C 601 et seq.).

(2)(A) Subject to subparagraphs (B) and (C), in the case of a household that is exempt from work requirements impsoed under this Act as the result of participating community work experience program established under section 409 of the Social Security Act (42 U.S.C. 609), the number of hours in a month for which all members of such household may be required to participate in such program shall equal the result obtained by dividing—

(i) the amount of assistance paid to such household for such month under title IV of such Act, together with the value of the food stamp allotment of such household for such month; by

(ii) the higher of the Federal or State minimum wage in effect for such month.

(B) In no event may any such member be required to participate in such program more than 120 hours per month.

(C) For the purpose of subparagrpah (A)(i), the value of the food stamp allotment of a household for a month shall be determined in accordance with regulations governing the issuance of an allotment to a household that contains more members than the number of members in an assistance unit established under title IV of such Act.

AGRICULTURE AND CONSUMER PROTECTION ACT OF 1973

(PUBLIC LAW 93-347)

* * * * * * *

COMMODITY DISTRIBUTION PROGRAM

SEC. 4 (a)(*1*) Notwithstanding any other provision of law, the Secrtary may, [during fiscal years 1982, 1983, 1984, and 1985] *during the period beginning October 1, 1985, and ending September 30, 1989,* purchase and distribute sufficient agricultural commodities with funds appropriated from the general fund of the Treasury to maintain the traditional level of assistance for food assistance programs as are authorized by law, including but not limited to distribution to institutions, supplemental feeding programs wherever located, disaster areas, summer camps for children, the United States Trust Territory of the Pacific Islands, and Indians, whenever a tribal organization requests distribution of federally donated foods pursuant to section 4(b) of the Food Stamp Act of 1977. In providing for commodity distribution to Indians, the Secetary shall improve the variety and quantity of commodities supplied to Indians in order to provide them an opportunity to obtain a more nutritious diet.

(2) In carrying out the program described in paragraph (1), the Secretary shall—

(a) require, as a condition of eligibility for participation in such program, that each household member furnish to the State agency the social security account number or numbers of such member; and

(B) use such account numbers in the administration of such program.

(b) The Secretary may furnish commodities to summer camps for children in which the number of adults participating in camp activities as compared with the number of children under [18] *19* years of age so participating is not unreasonable in light of the nature of such camp and the characteristics of the children in attendance.

(c) Whoever embezzles, willfully misapplies, steals or obtains by fraud any agricultural commodity or its products (or any funds, assets, or property deriving from donation of such commodities) provided under this section, or under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431), section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), section 709 of the Food and Agriculture Act of 1965 (7 U.S.C. 1446a-1), or the Temporary Emergency Food Assistance Act of 1983, whether received directly or indirectly from the United States Department of Agriculutre, or whoever receives, conceals, or retains such commodities, products, funds, assets, or property for personal use or gain, knowing such commodities, products, funds, assets, or property have been embezzled, willfully misapplied, stolen, or obtained by fraud shall, if such commodities, products, funds, assets, or property are of a value of $100 or more, be fined not more than $10,000 or imprisoned not more than five years, or both, or if such commodities, products, funds, assets, or property are of value of less than $100, shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

COMMODITY SUPPLEMENTAL FOOD PROGRAM

SEC. 5. (a) In carrying out the supplemental feeding program (hereinafter referred to as the "commodity supplemental food program") under section 4 of this Act, the Secretary (1) may institute [two pilot projects] *three pilot projects* directed at low-income elderly persons, including, where feasible, distribution of commodities to such persons in their homes, which projects shall operate no longer than [two years] *September 30, 1989,* and (2) shall provide to the State agencies administering the commodity supplemental food program, for each of the fiscal years 1982 through [1985] *1989*, funds appropriated from the general fund of the Treasury in amounts equal to the administrative costs of State and local agencies in operating the program, except that the funds provided to State agencies each fiscal year may not exceed 15 per centum of the sum of (A) the amount appropriated for the commodity supplemental food program and (B) the value of the additional commodities donated by the Secretary to State or local agencies for use in such program which are provided without charge against funds appropriated for such program and are included in food packages distributed to program participants.

(b) During the first three months of any commodity supplemental food program, or until such program reaches its projected caseload level, whichever comes first, the Secretary shall pay those administrative costs necessary to commence the program successfully: *Provided,* That in no event shall administrative costs paid by the Secretary for any fiscal year exceed the limitation established in subsection (a) of this section.

(c) Administrative costs for the purposes of the commodity supplemental food program shall include, but not be limited to, expenses for information and referral, operation, monitoring, nutrition education, start-up costs, and general administration, including staff, warehouse and transportation personnel, insurance, and administration of the State or local office.

(d) During each fiscal year the commodity supplemental food program is in operation, the types and varieties of commodities and their proportional amounts shall be determined by the Secretary, but, if the Secretary proposes to make any significant changes in the types, varieties, or proportional amounts from those that were available or were planned at the beginning of the fiscal year (or as were available during the fiscal year ending June 30, 1976, whichever is greater) the Secretary shall report such changes before implementation to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(e) The Secretary of Agriculture is authorized to issue such regulations as may be necessary to carry on the commodity supplemental food program.

(f)(1) If the Secretary determines that the amount of funds appropriated to carry out this section exceeds the requirement for operating sites in existence, and at levels of assistance, in effect on the date of such determination, the Secretary shall approve additional applications made for eligible projects to participate in the commodity supplemental food program.

(2) In making such determination, the Secretary shall consider the funding needs of existing operating sites for both the current and succeeding fiscal years.

(g) If a local agency that administers the commodity supplemental food program determines that the amount of funds made available to the agency to carry out this section exceeds the amount of funds necessary to provide assistance under such program to women, infants, and children, the agency, with the approval of the Secretary, may permit low-income elderly persons to participate in and be served by such program under such terms and conditions as are prescribed by the Secretary.

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AGRICULTURE AND FOOD ACT OF 1981

(Public Law 97–98)

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DISTRIBUTION OF SURPLUS COMMODITIES; SPECIAL NUTRITION PROJECTS

SEC. 1114. (a) Notwithstanding any other provision of law, whenever Government stocks of commodities are acquired under the price support programs and are not likely to be sold by the Commodity Credit Corporation or otherwise used in programs of commodity sale or distribution, such commodities shall be made available without charge or credit to nutrition projects under the authority of the Older Americans Act of 1965 (42 U.S.C. 3001 et seq.), to child nutrition programs providing food service, and to food banks participating in the special nutrition projects established under section 211 of the Agricultural Act of 1980. Such distribution may include bulk distribution to congregate nutrition sites and to providers of home delivered meals under the Older Americans Act of 1965. The Commodity Credit Corporation is authorized to use available funds to operate the program under this subsection and to further process products to facilitate bonus commodity use. *Commodities made available under this section shall include, but not be limited to, dairy products, wheat or the products thereof, rice, honey, and cornmeal.*

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TEMPORARY EMERGENCY FOOD ASSISTANCE ACT OF 1983

* * * * * * *

AVAILABILITY OF CCC COMMODITIES

SEC. 202. (a) Notwithstanding any other provision of law, in order to complement the domestic nutrition programs, make maximum use of the Nation's agricultural abundance, and expand and improve the domestic distribution of price-supported commodities, commodities acquired by the Commodity Credit Corporation that the Secretary of Agriculture (hereinafter referred to as the "Secretary") determines, in his discretion, are in excess of quantities needed to—

(1) carry out other domestic donation programs

(2) meet other domestic obligations (including quantities needed to carry out a payment-in-kind acreage diversion program),

(3) meet international market development and food aid commitments, and

(4) carry out the farm price and income stabilization purposes of the Agricultural Adjustment Act of 1938, the Agricultural Act of 1949, and the Commodity Credit Corporation Charter Act,

shall be made available by the Secretary, without charge or credit for such commodities, for use by eligible recipient agencies for food assistance.

(b) Notwithstanding any other provision of law, if wheat stocks acquired by the Commodity Credit Corporation are not available for the purposes of this Act, up to 300,000 metric tons of wheat designated under section 302(b)(1) of the Food Security Wheat Reserve Act of 1980 may be used for the purposes of this Act. Any amount of wheat used from the Food Security Wheat Reserve under this Act shall be replenished by an equivalent quantity of wheat under the provisions of section 302(b) of the Food Security Wheat Reserve Act of 1980 as soon as practicable, but before October 1, 1985.

(c) In addition to any commodities described in subsection (a), in carrying out this Act, the Secretary may use agricultural commodities and the products thereof made available under clause (2) of the second sentence of section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes", approved August 24, 1935 (7 U.S.C. 612c).

(d) Commodities made available under this Act shall include, but not be limited to, dairy products, wheat or the products thereof, rice, honey, and cornmeal.

(e) Effective January 1, 1986, the Secretary shall submit semiannually to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report on the types and amounts of commodities made available for distribution under this Act.

* * * * * * *

FEDERAL AND STATE RESPONSIBILITIES

SEC. 203B.[56] (a) The Secretary shall, as expeditiously as possible, provide the commodities made available under this Act in such quantities as can be used without waste to State agencies designated by the Governor or other appropriate State official for distribution to eligible recipient agencies, except that the Secretary may provide such commodities directly to eligible recipient agencies and to private companies that process such commodities for eligible recipient agencies under sections 203 and 203A of this Act. *Each State agency shall encourage distribution of such commodities in rural areas.*

ASSURANCES; ANTICIPATED USE

SEC. 203C. (a) The Secretary shall take such precautions as the Secretary deems necessary to assure that any eligible recipient agency receiving commodities under this Act will provide such commodities to persons served by the eligible recipient agency and will not diminish its normal expenditures for food by reason of the receipt of such commodities. The Secretary shall also take such precautions as the Secretary deems necessary to assure that commodities made available under this Act will not displace commercial sales of such commodities or the products thereof. The Secretary shall not make commodities available for donation in any quantity or manner that the Secretary, in the Secretary's discretion, determines may, substitute for the same or any other agricultural produce that would otherwise be purchased in the market. *The Secretary shall submit annually to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report on the existence and extent of such displacements and substitutions.*

AUTHORIZATION AND APPROPRIATIONS

SEC. 204. (a) There is appropriated for the period ending September 30, 1983, $50,000,000 for the Secretary to make available to the States for storage and distribution costs, of which not less than $10,000,000 shall be made available for paying the actual costs incurred by charitable institutions, food banks, hunger centers, soup kitchens, and similar nonprofit organizations providing nutrition assistance to relieve situations of emergency and distress through the provision of food to needy persons, including low-income and unemployed persons, provided that in no case shall such payments exceed five per centum of the value of commodities distributed by any such agency.

(b)*(1)* There are hereby authorized to be appropriated $50,000,000 for each of [the fiscal years ending September 30, 1984, and September 30, 1985,] *each of the fiscal years ending September 30, 1984, through September 30, 1987,* for the Secretary to make available to the States for storage and distribution costs of which not less than twenty per centum of the amount appropriated under this subsection in any fiscal year shall be made available for paying or providing advance payments to cover the actual costs incurred by charitable institutions, food banks, hunger centers, soup kitckens, and similar nonprofit eligible recipient agencies providing nutrition assistance to relieve situations of emergency and distress through the provision of food to needy persons, including low-income and unemployed persons: *Provided,* That in no case shall such payments exceed five per centum of the value of commodities distributed by any such agency.

(2) Effective January 1, 1986, to be eligible to receive payments for storage and distribution costs under paragraph (1), a State must match on a dollar for dollar basis the amount of such payments made to such State.

* * * * * * *

REGULATIONS

Sec. 210. (a) The Secretary shall issue regulations within 30 days to implement this Act.

(b) In administering this Act, the Secretary shall minimize, to the maximum extent practicable, the regulatory, recordkeeping, and paperwork requirements imposed on eligible recipient agencies.

[(c) With respect to the commodity distribution program under this Act in effect during the fiscal year ending September 30, 1984, and September 30, 1985, the Secretary shall, not later than October 1, 1983 publish in the Federal Register an estimate of the types and quantities of commodities that the Secretary anticiapted are likely to be made available during the first twelve months of the program; and, prior to the beginning of the fiscal year ending September 30, 1985, the Secretary shall publish in the Federal Register an estimate of the types and quantities of commodities that the Secretary anticipates are likely to be made available during the second twelve months of the program under this Act: *Provided,* That the actual types and quantities of commodities made available by the Secretary under this Act may differ from the estimates.]

(c)(1) Not later than October 1, 1985, and October 1, 1986, the Secretary shall publish in the Federal Register an estimate of the types and quantities of commodities that the Secretary anticipates are likely to be made available under this Act during each of the fiscal

year ending September 30, 1986, and September 30, 1987, respectively.

(2) The actual types and quantities of commodities made available under this Act may differ from such estimates.

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[PROGRAM TERMINATION

[SEC. 212. The provisions of this Act, with the exception of 207, shall terminate September 30, 1985.]

PROGRAM TERMINATION

SEC. 212(a) Except for section 207 and as provided in subsections (b) and (c), this Act shall terminate on September 30, 1987.

(b) Section 203 shall terminate on June 30, 1987.

(c) The amendment made by section 209 shall terminate on September 30, 1989.

TITLE 10, UNITED STATES CODE

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COMMISSARY STORES [PRIVATE OPERATION]

SEC. 2482. *(a)* Private persons may operate commissary stores under such regulations as the Secretary of Defense may approve.

(b) A commissary store of the Department of Defense may donate surplus, unmarketable food to a local food bank.

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WAGNER-PEYSER ACT

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SEC. 3. (b) It shall be the duty of the Secretary of Labor to assure that unemployment insurance and employment service offices in each State, as appropriate, upon request of a public agency administering or supervising the administration of a State plan approved under part A of title IV of the Social Security Act or of a public agency charged with any duty or responsibility under any program [or], activity authorized or required under part D of title IV of such Act *or of a State agency charged with the administration of the food stamp program in a State under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.),* shall (and, notwithstanding any other provision of law, is authorized to) furnish to such agency making the request, from any contained in the files of any such office, information with respect to any individual specified in the request as to (1) (whether such individual is receiving, has received, or has made application for, unemployment compensation, and the amount of any such compensation being received by such individual, (2) the current (or most recent) home address of such individual, and (3) whether such individual has refused an offer of employment and, if so, a description of the employment so offered and the terms, conditions, and rate of pay therefor.

SOCIAL SECURITY ACT

* * * * * * *

SEC. 303. (d)(1) The State agency charged with the administration of the State law—

(A) shall disclose, upon request and on a reimbursable basis, to officers and employees of the Department of Agriculture and to officers or employees of any State food stamp agency of the following information contained in the records of such State agency—

(i) wage information,

(ii) whether an individual is receiving, has received, or has made application for, unemployment compensation, and the amount of any such compensation being received (or to be received) by such individual,

(iii) the current (or most recent) home address of such individual, and

(iv) whether an individual has refused an offer of employment and, if so, a description of the employment so offered and the terms, conditions, and rate of pay therefor, and

(B) shall establish such safeguards as are necessary (as determined by the Secretary of Labor in regulations) to insure that information disclosed under subparagraph (A) is used only for purposes of determining an individual's eligibility for benefits, or the amount of benefits, under the food stamp program established under the Food Stamp Act of 1977.

(2)(A) For purposes of this paragraph, the term "unemployment compensation" means any unemployment compensation payable under the State law (including amounts payable pursuant to an agreement under a Federal unemployment compensation law).

(B) The State agency charged with the administration of the State law—

(i) may require each new applicant for unemployment compensation to disclose whether the applicant owes an uncollected overissuance (as defined in section 13(c)(1) of the Food Stamp Act of 1977) of food stamp coupons,

(ii) may notify the State food stamp agency to which the uncollected overissuance is owed that the applicant has been determined to be eligible for unemployment compensation if the applicant discloses under clause (i) that the applicant owes an uncollected overissuance and the applicant is determined to be so eligible.

(iii) may deduct and withhold from any unemployment compensation otherwise payable to an individual—

(I) the amount specified by the individual to the State agency to be deducted and withheld under this clause,

(II) the amount (if any) determined pursuant to an agreement submitted to the State food stamp agency under section 13(c)(3)(A) of the Food Stamp Act of 1977, or

(III) any amount otherwise required to be deducted and withheld from the unemployment compensation pursuant to section 13(c)(3)(B) of such Act, and

(iv) shall pay any amount deducted and withheld under clause (iii) to the appropriate State food stamp agency.

(C) Any amount deducted and withheld under subparagraph (B)(iii) shall for all purposes be treated as if it were paid to the individual as unemployment compensation and paid by the individual to the State food stamp agency to which the uncollected overissuance is owed as repayment of the individual's uncollected overissuance.

(D) A State food stamp agency to which an uncollected overissuance is owed shall reimburse the State agency charged with the administration of the State unemployment compensation law for the administrative costs incurred by the State agency under this paragraph that are attributable to repayment of uncollected overissuance to the State food stamp agency to which the uncollected overissuance is owed.

[(2)**]***(3)* Whenever the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the State law, finds that there is a failure to comply substantially with the requirements of paragraph (1), the Secretary of Labor shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure. Until the Secretary of Labor is so satisfied, he shall make no further certification to the Secretary of the Treasury with respect to such State.

[(3)**]***(4)* For purposes of this subsection, the term "State food stamp agency" means any agency described in section 3(n)(1) of the Food Stamp Act of 1977 which administers the food stamp program established under such Act.

SECTION 32 OF THE ACT OF AUGUST 24, 1935

* * * * * * *

SEC. 32. There is hereby appropriated for each fiscal year beginning with the fiscal year ending June 30, 1936 an amount equal to 30 per centum of the gross receipts from duties collected under the customs laws during the period January 1 to December 31, both inclusive, preceding the beginning of each fiscal year. Such sums shall be maintained in a separate fund and shall be used by the Secretary of Agriculture only to (1) encourage the exportation of agricultural commodities and products thereof by the payment of benefits in connection with the exportation thereof or of indemnities for losses incurred in connection with such exportation or by payments to producers in connection with the production of that part of any agricultural commodity required for domestic consumption; (2) encourage the domestic consumption of such commodities or products by diverting them, by the payment of benefits or indemnities or by other means, from the normal channels of trade and commerce or by increasing their utilization through benefits, indemnities, donations or by other means, among persons in low income groups as determined by the Secretary of Agriculture; and (3) reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption. Determinations by the Secretary as to what constitutes diversion and what constitutes normal channels of trade and commerce and what constitutes normal production for domestic consumption shall be final.

The sums appropriated under this section shall be expended for such one or more of the above-specified purposes, and at such times, in such manner, and in such amounts as the Secretary of Agriculture finds will effectuate substantial accomplishment of any one or more of the purposes of this section. Notwithstanding any other provision of this section, the amount that may be devoted during any fiscal year after June 30, 1939, to any one agricultural commodity or the products thereof in such fiscal year, shall not exceed 25 per centum of the funds available under this section for such fiscal year. The sums appropriated under this section shall be devoted principally to perishable nonbasic agriculture commodities (other than those receiving price support under title II of the Agricultural Act of 1949) and their products. The sums appropriated under this section shall, notwithstanding the provisions of any other law, continue to remain available for the purposes of this section until expended; but any excess of the amount remaining unexpended at the end of any fiscal year over $300,000,000 shall, in the same manner as though it has been appropriated for the service of such fiscal year, be subject to the provisions of section 3690 of the Revised Statutes (U.S.C., title 31, sec. 712), and section 5 of the Act entitled "An Act making appropriations for the legislative, executive, and judicial expenses of the Government for the year ending June thirtieth, eighteen hundred and seventy-five and for other purposes". *A public or private nonprofit organization that receives agricultural commodities or the products thereof under clause (2) of the second sentence may transfer such commodities or products to another public or private nonprofit organization that agrees to use such commodities or products to provide, without cost or waste, nutrition assistance to individuals in low-income groups.*

TITLE XV—AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING

NATIONAL AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING POLICY ACT OF 1977

SHORT TITLE

SEC. 1401. This title may be cited as the "National Agricultural Research, Extension, and Teaching Policy Act of 1977".

Subtitle A—Findings, Purpose, and Definitions

FINDINGS

SEC. 1402. Congress finds that—

* * * * * * *

(10) it is and has been the policy of the United States to support food and agricultural research, extension, and teaching in the broadest sense of these terms. The partnership between the Federal Government and the States, as consummated in legislation and cooperative agreements, and the cooperative nature of efforts to implement this policy in cooperation with the food

and agricultural industry has been eminently successful. Cooperative research, extension, and teaching programs have provided the United States with the most productive and efficient food and agricultural system in the world. This system is the basis of our national affluence and it provides vast amounts of food and fiber to other people around the world. However, the food and agricultural system is dynamic and constantly changing. The research, extension, and teaching programs that support the food and agricultural system must be maintained and constantly adjusted to meet ever changing challenges. National support of cooperative research, extension, and teaching efforts must be reaffirmed and expanded at this time to meet major needs and challenges in the following areas:

(A) FOOD AND AGRICULTURAL SYSTEM PRODUCTIVITY.—Increases in agricultural productivity have been outstanding, however, productivity growth in the past decade has slowed. It is imperative that improved technologies and management systems be developed to maintain and enhance agricultural productivity in order for agricultural production in the United States to meet the demand of a rising world population, rising costs of production, and limitations on energy consumption. Improved productivity in food and agricultural processing and marketing sectors is a critical need in the national effort to achieve a strong economy.

(B) DEVELOPMENT OF NEW FOOD, FIBER, AND ENERGY SOURCES.—Programs to identify and develop new crop and animal sources of food, fiber, and energy must be undertaken to meet future needs.

(C) AGRICULTURAL ENERGY USE AND PRODUCTION.—Much of the current agricultural technology is relatively energy intensive. It is critical that alternative technologies be developed to increase agricultural energy efficiency and to reduce dependence on petroleum based products. Furthermore, agriculture provides the United States with alternative potential sources of energy that must be assessed and developed.

(D) NATURAL RESOURCES.—Improved management and conservation of soil, water, forest, and range resources are vital to maintain the resource base for food and fiber production. An expanded program in the area of soil and water conservation research is needed to develop more economical and effective conservation systems. Five key objectives of this research are:

(i) sustaining soil productivity;

(ii) developing more cost-effective and practical conservation technologies;

(iii) managing water in stressed environments;

(iv) protecting the quality of the Nation's surface water and groundwater resources; and

(v) establishing integrated multidisciplinary organic farming research projects designed to foster the implementation of the major recommendations of the Department of Agriculture Report and Recommendations on Organic Farming, July 1980.

(E) PROMOTION OF THE HEALTH AND WELFARE OF PEOPLE.—The basis objectives of food and agricultural research, extension, and teaching programs are to make the maximum contribution to the health and welfare of people and to the economy of the United States through the enhancement of owner-operated family farms, to improve community services and institutions, to increase the quality of life in rural America, and to improve the well-being of consumers. The rapid rate of social change, economic instability, and current energy problems increase the need for expanded programs of research and extension in family financial management, housing and home energy consumption, food preparation and consumption, human development (including youth programs), and development of community services and institutions.

(F) HUMAN NUTRITION.—The challenge to meet the food needs of the world continues, but there is an increasing need to address nutrition research and educational issues associated with diet resulting from changing life styles and with respect to special groups such as the elderly, teenagers, infants, and pregnant women.

(G) INTERNATIONAL FOOD AND AGRICULTURE.—The greatest challenge facing mankind through the next two decades will be to produce adequate food for an expanding world population. This challenge demands a dedicated effort by the Federal Government and the State cooperative institutions, and other colleges and universities to expand international food and agricultural research, extension, and teaching programs. Improved cooperation and communications by the Department of Agriculture and the cooperators with international agricultural research centers, counterpart agencies and universities in other countries, is necessary to improve food and agricultural progress throughout the world; **[**and**]**

(11) Long-range planning for research, extension, and teaching is a key element in meeting the objectives of this title; accordingly, all of the elements in the food and agricultural science and education system are encouraged to expand their planning and coordination efforts**[**.**]** *; and*

(12) the agricultural system of the United States—

(A) is increasingly dependent on science and technology to maintain and improve productivity levels, manage the resource base, provide high quality products, and protect the environment; and

(B) requires a constant supply of expertise in food and agricultural sciences.

* * * * * * *

DEFINITIONS

SEC. 1404. When used in this title—

* * * * * * *

(8) the term "food and agricultural sciences" means basic, applied, and developmental research, extension, and teaching activities in the food, agricultural, renewable natural resources, forestry, and physical and social sciences, in the broadest sense of these terms, including but not limited to, activities relating to:

(A) agriculture, including soil and water conservation and use, the use of organic waste materials to improve soil tilth and fertility, plant and animal production and protection, and plant and animal health;

(B) the processing, distributing, marketing, and utilization of food and agricultural products;

(C) forestry, including range management, production of forest and range products, multiple use of forest and rangelands, and urban forestry;

(D) aquaculture;

(E) home economics, including consumer affairs, food and nutrition, clothing and textiles, housing, and family well-being and financial management;

(F) rural community welfare and development;

(G) youth development, including 4-H clubs;

(H) domestic and export market expansion for United States agricultural products; **[**and**]**

(I) production inputs, such as energy, to improve productivity; *and*

(J) international food and agricultural issues, such as agricultural development, development of institutions, germ plasm collection and preservation, information exchange and storage, and scientific exchanges;

* * * * * * *

RESPONSIBILITIES OF THE SECRETARY AND DEPARTMENT OF AGRICULTURE

SEC. 1405. The Department of Agriculture is designated as the lead agency of the Federal Government for agricultural research (except with respect to the biomedical aspects of human nutrition concerned with diagnosis or treatment of disease), extension, and teaching in the food and agricultural sciences, and the Secretary, in carrying out the Secretary's responsibilities, shall— * * *

[(11) take the initiative in overcoming barriers to long-range planning by developing, in conjunction with the States, State cooperative institutions, the Joint Council, the Advisory Board, and other appropriate institutions, a long-term needs assessment for food, fiber, and forest products, and by determining the research requirements necessary to meet the identified needs.**]**

(11) establish appropriate controls with respect to the development and use of the application of biotechnology to agriculture.

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JOINT COUNCIL ON FLOOD AND AGRICULTURAL SCIENCES

SEC. 1407. (a) The Secretary shall establish within the Department of Agriculture a committee to be known as the Joint Council on Food and Agricultural Sciences which shall have a term that expires September 30, [1985] *1989.*

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NATIONAL AGRICULTURAL RESEARCH AND EXTENSION USERS ADVISORY BOARD

SEC. 1408. (a) The Secretary shall establish within the Department of Agriculture a board to be known as the National Agricultural Research and Extension Users Advisory Board which shall have a term that expires September 30, [1985] *1989.*

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(f)(1) The Advisory Board shall have general responsibility for preparing independent advisory opinions on the food and agricultural sciences.

(2) The Advisory Board shall have the specific responsibilities for—

(A) reviewing the policies, plans, and goals of programs within the Department of Agriculture involving the food and agricultural sciences, and related programs in other Federal and State departments and agencies and in the colleges and universities developed by the Secretary under this title;

(B) reviewing and assessing the extent of agricultural research and extension being conducted by private foundations and businesses, and the relationships of such research and extension to federally supported agricultural research and extension;

(C) reviewing and providing consultation to the Secretary on national policies, priorities, and strategies for agricultural research and extension for both the short and long term;

(D) assessing the overall adequacy of, and making recommendations to the Secretary with regard to, the distribution of resources and the allocation of funds authorized by this title; *and*

(E) preparing and submitting to the Secretary, not later than July 1 of each year, a statement of *its appraisal of the proposed budget of the President for the food and agricultural sciences for the fiscal year beginning in such year and* recommendations as to allocations of responsibilities and levels of funding among federally supported agricultural research and extension programs, which shall include a review and an assessment of the allocation of funds for agricultural research and extension made for the preceding fiscal year by the organizations represented on the Joint Council. Minority views, if timely submitted, shall be included in the submission. The Secretary shall submit copies of the statement to the *House Committee on Agriculture, the House Committee on Appropriations, the Senate Committee on Agriculture, Nutrition, and Forestry, the Senate Committee on Appropriations, the* Subcommittee on Food and Renewable Resources of the Federal Coordinating Council for

Science, Engineering, and Technology, and the Joint Council[; and].

[(F) not later than February 20 of each year submitting a report on its appraisal of the President's proposed budget for the food and agricultural sciences for the fiscal year beginning in such year and the recommendations of the Secretary contained in the annual report submitted by the Secretary pursuant to the provisions of section 1410 of this title. Such report shall be submitted to the President, the House Committee on Agriculture, the House Committee on Appropriations, the Senate Committee on Agriculture, Nutrition, and Forestry, and the Senate Committee on Appropriations. The report may include the separate views of members of the Advisory Board. The first report shall be due not later than March 1, 1979.]

* * * * * * *

FEDERAL-STATE PARTNERSHIP AND COORDINATION

SEC. 1409A. (a) A unique partnership arrangement exists in food and agricultural research, extension, and teaching between the Federal Government and the governments of the several States whereby the States have accepted and have supported, through legislation and appropriations—

(1) research programs under—

(A) the Act of March 2, 1887 (7 U.S.C. 361a et seq.), commonly known as the Hatch Act of 1887;

(B) the Act of October 10, 1962 (16 U.S.C. 582a et seq.), commonly known as the McIntire-Stennis Act of 1962;

(C) subtitle E of this title; and

(D) subtitle G of this title;

(2) extension programs under subtitle G of this title and the Act of May 8, 1914 (7 U.S.C. 341 et seq.), commonly known as the Smith-Lever Act; [and]

(3) teaching programs under—

(A) the Act of July 2, 1862 (7 U.S.C. 301 et seq.), commonly known as the First Morrill Act;

(B) the Act of August 30, 1890 (7 U.S.C. 321 et seq.), commonly known as the Second Morrill Act; and

(C) the Act of June 29, 1935 (7 U.S.C. 329), commonly known as the Bankhead-Jones Act[.] *; and*

(4) international agricultural programs under title XII of the Foreign Assistance Act of 1961 (22 U.S.C. 2220a et seq.).

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SECRETARY'S REPORT

SEC. 1410. The Secretary shall submit to the President and Congress by January 1 of each year a report on the Nation's agricultural research, extension, and teaching activities, and such report shall include—

(1) a review covering the following three categories of activities of the Department of Agriculture with respect to agricultural research, extension, and teaching activities and the relationship of these activities to similar activities of other depart-

ments and agencies of the Federal Government, the States, colleges and universities, and the private sector—

(A) a current inventory of such activities organized by statutory authorization and budget outlay;

(B) a current inventory of such activities organized by field of basic and applied science; and

(C) a current inventory of such activities organized by commodity and product category;

(2) the statements of recommendations of the Joint Council developed pursuant to the provisions of section 1407(d)(2)(G) of this title and the statement of recommendations of the Advisory Board developed pursuant to the provisions of section 1408(f)(2)(E) of this title; *and*

(3) in the second and succeeding years, a five-year projection of national priorities with respect to agricultural research, extension, and teaching, taking into account both domestic and international needs**[**; and**]**.

[(4) in the report of January 1, 1984, the Secretary's needs assessment developed pursuant to the provisions of section 1405(11) of this title.**]**

* * * * * * *

GRANTS TO ESTABLISH OR EXPAND SCHOOLS OF VETERINARY MEDICINE

SEC. 1415. (a) The Secretary shall conduct a program of grants to States for the purpose of meeting the costs of construction, employing faculty, acquiring equipment, and taking other action relating to the initial establishment and initial operation of schools of veterinary medicine, or the expansion of existing schools of veterinary medicine, as determined by the Secretary by regulations. This grant program shall be based on a matching formula of 50 per centum Federal and 50 per centum State funding.

* * * * * * *

(c) Funds appropriated to carry out this section for any fiscal year shall be apportioned and distributed as follows:

(1) **[**Four**]** *Five* per centum shall be retained by the Department of Agriculture for administration, program assistance to eligible States, and program coordination.

(2) The remainder shall be apportioned and distributed by the Secretary to those States which have applied for funds under this section on such basis as the Secretary may deem appropriate.

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GRANTS AND FELLOWSHIPS FOR FOOD AND AGRICULTURAL SCIENCES EDUCATION

SEC. 1417. (a)(1) The Secretary shall promote and develop higher education in the food and agricultural sciences by formulating and administering higher education programs.

(2) The Secretary may make grants to land-grant colleges and universities, and to other colleges and universities having a demon-

strable capacity to carry out food and agricultural teaching, for a period not to exceed five years—

(A) to strengthen institutional capacities to respond to State, national, or international educational needs in the food and agricultural sciences;

(B) to attract students and to educate them as needed in the food and agricultural sciences, and to attract needed professionals to provide for their professional improvement in the food and agricultural sciences;

(C) to design and implement innovative food and agricultural educational programs; and

(D) to facilitate cooperative agreements between two or more eligible institutions to maximize the use of faculty and facilities to improve their food and agricultural teaching programs.

[Such grants shall be made without regard to matching funds, but each] *Each* recipient institution shall have a significant ongoing commitment to the food and agricultural sciences generally and to the specific subject area for which such grant is to be used.

(3) The Secretary may make competitive grants to colleges and universities for a period not to exceed five years—

(A) to develop or administer programs to meet unique food and agricultural educational problems; and

(B) to administer and conduct specialized programs to attract individuals for undergraduate and graduate programs and to administer and conduct graduate fellowship programs to meet regional and national objectives in the food and agricultural sciences.

[Such grants shall be made without regard to matching funds provided by recipients.] *Each recipient institution shall have a significant ongoing commitment to the food and agricultural sciences generally and to the specific subject area for which such grant is to be used.*

* * * * * * *

(d) There are hereby authorized to be appropriated for the purposes of carrying out the provisions of this section $25,000,000 for the fiscal year ending September 30, 1978, $30,000,000 for the fiscal year ending September 30, 1979, $35,000,000 for the fiscal year ending September 30, 1980, $40,00,000 for the fiscal year ending September 30, 1981, and $50,000,000 for each of the fiscal years ending September 30, 1982, [September 30, 1983, September 30, 1984, and September 30, 1985] *through September 30, 1989,* and not in excess of such sums as may after the date of enactment of this title be authorized by law for any subsequent fiscal year.

* * * * * * *

[STUDY

[SEC. 1424. The Secretary shall perform a study assessing the potential value and cost of establishing regional food and human nutrition research centers in the United States. This assessment shall examine the feasibility of using existing Federal facilities in establishing such centers. The Secretary shall complete this study and submit a report setting forth the findings of the study and recommendations for the implementation of these findings, as a part of the plan the Secretary is required to submit to Congress pursuant to section 1427 of this title, not later than one year after the effective date of this title.]

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[HUMAN NUTRITION RESEARCH AND INFORMATION MANAGEMENT SYSTEM

[SEC. 1427. The Secretary and the Secretary of Health and Human Services shall formulate and submit to Congress, within one hundred and eighty days after the date of enactment of this section, a plan for a human nutrition research management system. This system shall be based on on-line data support capability allowing for fiscal accounting, management, and control of cross-agency human nutrition activities. The plan shall provide for management activities of all agencies managing funds for human nutrition research activities under existing authorities and contain recommendations for any additional authorities necessary to achieve a human nutrition research management system.]

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ANIMAL HEALTH SCIENCE RESEARCH ADVISORY BOARD

SEC. 1432. (a) The Secretary shall establish a board to be known as the Animal Health Science Research Advisory Board which shall have a term that expires September 30, [1985] *1989,* and which shall be composed of the following eleven members—

* * * * * * *

APPROPRIATIONS FOR CONTINUING ANIMAL HEALTH AND DISEASE RESEARCH PROGRAMS

SEC. 1433. (a) There are authorized to be appropriated such funds as Congress may determine necessary to support continuing animal health and disease research programs at eligible institutions, but not to exceed $25,000,000 annually for the food period beginning October 1, 1981, and ending September 30, [1985] *1989*, and not in excess of such sums as may after the date of enactment of this title be authorized by law for any subsequent fiscal year. Funds appropriated under this section shall be used: (1) to meet expenses of conducting animal health and disease research, publishing and disseminating the results of such research, and contributing to the retirement of employees subject to the provisions of the Act of March 4, 1940 (54 Stat. 39-40, as amended; 7 U.S.C. 331); (2) for administrative planning and direction; and (3) to purchase equipment and supplies necessary for conducting such research.

* * * * * * *

APPROPRIATIONS FOR RESEARCH ON NATIONAL OR REGIONAL PROBLEMS

SEC. 1434. (a) There are authorized to be appropriated such funds as Congress may determine necessary to support research on specific national or regional animal health or disease problems, but not to exceed $35,000,000 annually for the period beginning October 1, 1981, and ending September 30, [1985] *1989*, and not in excess of such sums as may after the date of enactment of this title be authorized by law for any subsequent fiscal year.

* * * * * * *

Subtitle G—1980 Land-Grant College Funding

EXTENSION AT 1890 LAND-GRANT COLLEGES, INCLUDING TUSKEGEE INSTITUTE

SEC. 1444. (a) There are hereby authorized to be appropriated annually such funds as Congress may determine necessary to support continuing agricultural and forestry extension at colleges eligible to receive funds under the Act of August 30, 1890 (26 Stat. 417–419, as amended; 7 U.S.C. 321–326 and 328), including Tuskegee Institute (hereinafter in this section referred to as "eligible institutions"). Beginning with the fiscal year ending September 30, 1979, and ending with the fiscal year September 30, 1981, there shall be appropriated under this section for fiscal year an amount not less than 4 per centum of the total appropriations for such year under the Act of May 8, 1914 (38 Stat. 372–374, as amended; 7 U.S.C. 341–349): *Provided*, That the amount appropriated for the fiscal year ending September 30, 1979, shall not be less than the amount made available for the fiscal year ending September 30, 1978, to such eligible institutions under section 3(d) of the Act of May 8, 1914 (38 Stat. 373, as amended; 7 U.S.C. 343(d)). Beginning with the fiscal year ending September 30, 1982, there shall be appropriated under this section an amount not less than 5½ per centum, and for each fiscal year thereafter, through the fiscal year ending September 30, [1985] *1989*, an amount not less than 6 per centum of the total appropriations for such year under the Act of May 8, 1914 (7 U.S.C. 341 et seq.). Funds appropriated under this section shall be used for expenses of conducting extension programs and activities, and for contributing to the retirement of employees subject to the provisions of the Act of March 4, 1940 (54 Stat. 39–40, as amended; 7 U.S.C. 331). No more than 20 per centum of the funds received by an institution in any fiscal year may be carried forward to the succeeding fiscal year.

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AGRICULTURAL RESEARCH AT 1890 LAND-GRANT COLLEGES, INCLUDING TUSKEGEE INSTITUTE

SEC. 1445. (a) There are hereby authorized to be appropriated annually such sums as Congress may determine necessary to support continuing agricultural research at colleges eligible to receive funds under the Act of August 30, 1890 (26 Stat. 417–419, as amended; 7 U.S.C. 321–326, and 328), including Tuskegee Institute (hereinafter referred to in this section as "eligible institutions"). Beginning with the fiscal year ending September 30, 1979, there shall be appropriated under this section for each fiscal year an amount not less than 15 per centum of the total appropriations for such year under section 3 of the Act of March 2, 1887 (24 Stat. 441, as amended; 7 U.S.C. 361c): *Provided,* That the amount appropriated for the fiscal year ending September 30, 1979, shall not be less than the amount made available in the fiscal year ending September 30, 1978, to such eligible institutions under the Act of August 4, 1965 (79 Stat. 431, 7 U.S.C. 450i). Funds appropriated under this section shall be used for expenses of conducting agricultural research, printing, disseminating the results of such research, contributing to the retirement of employees subject to the provisions of the Act of March 4, 1940 (54 Stat. 39–40, as amended; 7 U.S.C. 331), administrative planning and direction, and purchase and rental of land and the construction, acquisition, alteration, or repair of buildings necessary for conducting agricultural research. The eligible institutions are authorized to plan and conduct agricultural research in cooperation with each other and such agencies, institutions, and individuals as may contribute to the solution of agricultural problems, and moneys appropriated pursuant to this section shall be available for paying the necessary expenses of planning, coordinating, and conducting such cooperative research. *No more than 5 percent of the funds received by an institution under this section in any fiscal year may be carried forward to the succeeding fiscal year.*

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Subtitle I—International Agricultural Research and Extension

SEC. 1458. (a) The Secretary, subject to such coordination with other Federal officials, departments, and agencies as the President may direct, is authorized to—

(1) expand the operational coordination of the Department of Agriculture with institutions and other persons throughout the world performing agricultural and related research and extension activities by exchanging research materials and results with such institutions or persons and by conducting with such institutions or persons joint or coordinated research and extension on problems of significance to food and agriculture in the United States;

(2) assist the Agency for International Development with food, agricultural, research and extension programs in developing countries;

(3) work with developed and transitional countries on food, agricultural and related research and extension, including [the training of] *providing technical assistance, training, and advice to* persons from such countries engaged in such activities and the stationing of scientists at national and international institutions in such countries;

(4) assist United States colleges and universities in strengthening their capabilities for food, agricultural, and related research and extension relevant to agricultural development activities in other countries *through the development of highly qualified scientists with specialization in international development;* and

* * * * * * *

[WEATHER AND WATER ALLOCATION STUDY

[SEC. 1460. The Secretary shall conduct a comprehensive study of the effects of changing climate and weather on crop and livestock productivity and, within twelve months after the date of the enactment of this title, submit to the President and Congress a report together with pertinent recommendations, on this study. The study shall include—

[(1) an assessment of current climate and weather conditions in the United States and the possible impact of changes in climate and weather conditions on the Nation's economy and future food and feed availability and prices;

[(2) a review of Federal and State water allocation policies; and

[(3) a consideration of strategies and techniques for dealing with water shortages in the United States that could occur if current climate and weather conditions continue or become more severe.

[ORGANIC FARMING STUDY

[SEC. 1461. The Secretary shall conduct, and, within twelve months after the date of enactment of this title, submit to the President and Congress a report containing the results of and the Secretary's recommendations concerning, an investigation and analysis of the practicability, desirability, and feasibility of collecting organic waste materials, including manure, crop and food waste, industrial organic waste, municipal sewage sludge, logging and wood-manufacturing residues, and any other organic refuse, composting or similarly treating such materials, and transporting and placing such materials onto the land to improve soil tilth and fertility. The analysis shall include the projected cost of such collection, transportation, and placement in accordance with sound locally approved soil and water conservation practices.

[AGRICULTURAL RESEARCH FACILITIES STUDY

[SEC. 1462. (a) The Secretary shall conduct a comprehensive study of the status and future needs of agricultural research facilities and, within fourteen months after the date of enactment of this title, submit to the President and Congress a report on this study.

[(b)(1) The report shall cover agricultural research facilities and materials including, but not limited to, buildings and farms, laboratories, plant, seed, genetic stock, insect, virus, and animal collections, and lease and purchase items such as computers, laboratory instruments, and related equipment.

[(2) The report shall include recommendations for a program to provide the United States with the most modern and efficient system of research facilities needed to advance agricultural research in all fields, and recommendations with regard to priority requirements for research instrumentation and facilities needing modernization, construction, or renovation in accordance with the requirements of State, regional, and national priority programs of research and based on the fullest utilization of human, monetary, and physical resources.]

Subtitle K—Funding and Miscellaneous Provisions

AUTHORIZATION FOR APPROPRIATIONS FOR EXISTING AND CERTAIN NEW AGRICULTURAL RESEARCH PROGRAMS

SEC. 1463. (a) Notwithstanding any authorization for appropriations for agricultural research in any Act enacted prior to the date of enactment of this title, there are hereby authorized to be appropriated for the purposes of carrying out the provisions of this title, except subtitle H and sections 1416, 1417, 1419, 1420, and the competitive grants program provided for in section 1414, and except that the authorization for moneys provided under the Act of March 2, 1887 (24 Stat. 440–442, as amended: 7 U.S.C. 361a–361i), is excluded and is provided for in subsection (b) of this section, $505,000,000 for the fiscal year ending September 30, 1978, $575,000,000 for the fiscal year ending September 30, 1979, $645,000,000 for the fiscal year ending September 30, 1980, $715,000,000 for the fiscal year ending September 30, 1981, $780,000,000 for the fiscal year ending September 30, 1982, $780,000,000 for the fiscal year ending September 30, 1983, $835,000,000 for the fiscal year ending September 30, 1984, and $890,000,000 for [the fiscal year ending September 30, 1985] *each of the fiscal years ending September 30, 1985, through September 30, 1989,* and not in excess of such sums as may after the date of enactment of this title be authorized by law for any subsequent fiscal year.

(b) Notwithstanding any authorization for appropriations for agricultural research at State agricultural experiment stations in any Act enacted prior to the date of enactment of this title, there are hereby authorized to be appropriated for the purpose of conducting agricultural research at State agricultural experiment stations pursuant to the Act of March 2, 1887 (24 Stat. 440–442, as amended; 7 U.S.C. 361a–361i) $120,000,000 for the fiscal year ending September 30, 1978, $145,000,000 for the fiscal year ending September 30, 1979, $170,000,000 for the fiscal year ending September 30, 1980, $195,000,000 for the fiscal year ending September 30, 1981, $220,000,000 for the fiscal year ending September 30, 1982, $230,000,000 for the fiscal year ending September 30, 1983, $240,000,000 for the fiscal year ending September 30, 1984, [and] $250,000,000 for the fiscal year ending September 30, 1985, *and $300,000,000 for each of the fiscal years ending September 30, 1986, through September 30, 1989,* and not in excess of such sums as may after the date of enactment of this title be authorized by law for any subsequent fiscal year.

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[AUTHORIZATION FOR APPROPRIATIONS FOR EXTENSION EDUCATION

[SEC. 1464. Notwithstanding any authorization for appropriations for the Cooperative Extension Service in any Act enacted prior to the date of enactment of this title, there are hereby authorized to be appropriated for the purposes of carrying out the extension programs of the Department of Agriculture $260,000,000 for the fiscal year ending September 30, 1978, $280,000,000 for the fiscal year ending September 30, 1979, $300,000,000 for the fiscal year ending September 30, 1980, $320,000,000 for the fiscal year ending September 30, 1981, $350,000,000 for the fiscal year ending September 30, 1982, $360,000,000 for the fiscal year ending September 30, 1983, $370,000,000 for the fiscal year ending September 30, 1984, and $380,000,000 for the fiscal year ending September 30, 1985, and not in excess of such sums as may after the date of enactment of this title be authorized by law for any subsequent fiscal year.]

AUTHORIZATION FOR APPROPRIATIONS FOR EXTENSION EDUCATION

SEC. 1464. Notwithstanding any authorization for appropriations for extension and related programs administered by or funded through the Extension Service in this or any other Act, there are authorized to be appropriated for such programs $380,000,000 for each of the fiscal years ending September 30, 1986, through September 30, 1989, and not in excess of such sums as may be authorized by law for any subsequent fiscal year.

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GENERAL AUTHORITY TO ENTER INTO CONTRACTS, GRANTS, AND COOPERATIVE AGREEMENTS

SEC. 1472. (a) The purpose of this section is to confer upon the Secretary, general authority to enter into contracts, grants, and cooperative agreements to further the research, extension, or teaching programs in the food and agricultural sciences of the Department of Agriculture. This authority supplements all other laws relating to the Department of Agriculture and is not to be construed as limiting or repealing any existing authorities.

* * * * * * *

(e)(1) Notwithstanding chapter 63 of title 31, United States Code, the Secretary may use a cooperative agreement as the legal instrument reflecting a relationship between the Secretary and a State cooperative institution (as defined in section 1404(16)), State department of agriculture, college, university, other research or educational institution or organization, Federal or private agency or organization, individual, or any other party, if the Secretary determines that—

(A) the agreement will further an objective of each of the parties to the agreement in an agricultural research, extension, or teaching activity, including statistical reporting; and

(B) all such parties will contribute resources to the accomplishment of such objectives.

(2) Notwithstanding any other provision of law, Federal agency may participate in such a cooperative agreement by contributing funds through the appropriate agency of the Department of Agriculture or otherwise.

RESTRICTION ON TREATMENT OF INDIRECT COSTS AND TUITION REMISSION

SEC. 1473. Funds made available by the Secretary under established Federal-State partnership arrangements to State cooperative institutions under the Acts referred to in section 1404(16) of this title and funds made available under subsection (c)(2) and subsection (d) of section 2 of the Act of August 4, 1965 (7 U.S.C. 450i) shall not be subject to reduction for indirect costs or for tuition remission. No indirect costs or tuition remission shall be charged against funds in connection with cooperative agreements between the Department of Agriculture and State cooperative institutions if the cooperative program or project involved is of mutual interest to all the parties and if all the parties contribute to the cooperative agreement involved. *The prohibition on the use of such funds for the reimbursement of indirect costs shall not apply to funds for international agricultural programs conducted by a State cooperative institution and administered by the Secretary or to funds provided by a Federal agency for such cooperative program or project through a fund transfer, advance, or reimbursement. The Secretary shall limit the amount of such reimbursement to an amount necessary to carry out such program or agreement.*

SPECIAL TECHNOLOGY DEVELOPMENT RESEARCH PROGRAM

SEC. 1473A. (a) Notwithstanding chapter 63 of title 31, United States Code, the Secretary may enter into a cooperative agreement with a private agency, organization, or individual to share the cost of a research project, or to allow the use of a Federal facility or service on a cost-sharing or cost reimbursable basis, to develop new agricultural technology to further a research program of the Secretary.

(b) For each of the fiscal years ending September 30, 1986, through September 30, 1989, not more than $3,000,000 of the funds appropriated to the Agricultural Research Service of the Department of Agriculture for such fiscal year may be used to carry out this section.

(c)(1) To be eligible to receive a contribution under this section, matching funds in an amount equal to at least 50 percent of such contribution shall be provided from non-Federal sources by the recipient or recipients of such contribution.

(2) Funds received by the Secretary under this section shall be deposited in a separate account or accounts, to be available until expended. Such funds may be used to pay directly the costs of such research projects and to repay or make advances to appropriations or funds which do or will initially bear all or part of such costs.

(3) The amount of funds or in kind assistance which may be made available under this section by the Secretary for a particular research project may not exceed—

(A) an amount of $50,000 in any fiscal year; or

(B) a total amount of $150,000.

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AQUACULTURE ASSISTANCE PROGRAMS

SEC. 1475. (a) The Secretary may develop and implement a cooperative research and extension program to encourage the development, management, and production of important aquatic food species within the several States and territories of the United States, in accordance with the national aquaculture development plan, and revisions thereto, developed under the National Aquaculture Act of 1980.

[(e) Not later than one year after the effective date of this subtitle and not later than March 1 of each subsequent year, the Secretary shall submit a report to the President, the House Committee on Agriculture, the House Committee on Appropriations, the Senate Committee on Agriculture, Nutrition, and Forestry, and the Senate Committee on Appropriations, containing a summary outlining the progress of the Department of Agriculture in meeting the purposes of the programs established under this subtitle.

[AQUACULTURE ADVISORY BOARD

[SEC. 1476. (a) The Secretary shall establish within the Department of Agriculture a board to be known as the Aquaculture Advisory Board (hereinafter in this subtitle referred to as the "Board") which shall have a term that expires September 30, 1985, and which shall be composed of the following twelve members appointed by the Secretary—

[(1) four representatives of agencies of the Department of Agriculture which have significant research, extension, or teaching responsibilities;

[(2) two representatives of State agricultural experiment stations; and

[(4) four representatives of national aquaculture organizations.

Members of the Board shall serve without compensation, if not otherwise officers or employees of the United States. While away from their homes or regular places of business in the performance of services for the Board, members of the Board shall be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in the Government service are allowed expenses under sections 5701 through 5707 of title 5, United States Code.

[(b) The Board shall meet at the call of the Secretary, but at least annually, to consult with and advise the Secretary with respect to implementation of this subtitle and to recommend priorities for the conduct of research and extension programs authorized in this subtitle, under such rules and procedures for conducting business as the Secretary may, in the Secretary's discretion, prescribe.]

AUTHORIZATION OF APPROPRIATIONS

SEC. 1477. (a) There is authorized to be appropriated $7,500,000 for each fiscal year beginning after the effective date of this subtitle, and ending with the fiscal year ending September 30, [1985] *1989,* and not in excess of such sums as may after the date of enactment of this subtitle be authorized by law for any subsection fiscal year.

(b) Funds appropriated under subsection (a) shall be allocated by the Secretary for work to be done as mutually agreed upon between the Secretary and the institutions described in section 1475(b). [The Secretary shall, whenever possible, consult with the Board in developing plans for the use of these funds.]

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RANGELAND RESEARCH ADVISORY BOARD

SEC. 1482. (a) The Secretary shall establish a board to be known as the Rangeland Research Advisory Board which shall have a term that expires September 30, [1985] *1989,* and which shall be composed of the following twelve members appointed by the Secretary:

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APPROPRIATIONS

SEC. 1483. (a) There are authorized to be appropriated, to implement the provisions of this subtitle, such sums not to exceed $10,000,000 annually for the period beginning October 1, 1981, and ending September 30, [1985] *1989,* and thereafter such sums as may after the date of enactment of this subtitle be authorized by law for any subsequent fiscal year.

(b) Funds appropriated under this section shall be allocated by the Secretary to eligible institutions for work to be done as mutually agreed upon between the Secretary and the eligible institution or institutions. The Secretary shall, whenever possible, consult with the Board in developing plans for the use of these funds.

AGRICULTURE AND FOOD ACT OF 1981

* * * * * * *

AUTHORITY TO AWARD GRANTS TO UPGRADE 1890 LAND-GRANT COLLEGE RESEARCH FACILITIES

SEC. 1433. (a) It is hereby declared to be the intent of Congress to assist the institutions eligible to receive funds under the Act of August 30, 1890 (7 U.S.C. 321 et seq.), including Tuskegee Institute (hereinafter referred to in this section as "eligible institutions"), in the acquisition and improvement of research facilities and equipment, *including agricultural libraries,* so that eligible institutions may participate fully with the State agricultural experiment stations in a balanced attack on the research needs of the people of their States.

(b) There are authorized to be appropriated to the Secretary of Agriculture for the purpose of carrying out the provisions of this section $10,000,000 for each of the fiscal years ending September 30, 1982, [September 30, 1983, September 30, 1984, September 30, 1985, and September 30, 1986] *through September 30, 1989,* such sums to remain available until expended.

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[SOYBEAN RESEARCH ADVISORY INSTITUTE

[SEC. 1446. (a)(1) There is established within the Department of Agriculture a temporary advisory body to be known as the Soybean Research Advisory Institute (hereinafter in this section referred to as the "Advisory Institute").

[(2) The Advisory Institute shall be composed of eleven members appointed by the Secretary of Agriculture (hereinafter in this section referred to as the "Secretary"). Members appointed to the Advisory Institute shall be individuals who are recognized soybean research experts and shall represent the interest of soybean producers, soybean processors, land grant colleges and universities, Federal research agencies, and private industry. The Secretary shall, to the maximum extent practicable, balance the membership of the Advisory Institute geographically on the basis of the soybean producing areas of the United States.

[(3) The Secretary shall designate a representative of the soybean producers to serve as Chairman of the Advisory Intitute.

[(b) It shall be the function of the Advisory Institute to—

[(1) assess the effectiveness of the ongoing soybean research programs in the United States;

[(2) assess the impediments to increased United States soybean production, including the soybean cyst nematode, and consider the most effective means of removing such impediments;

[(3) evaluate the available means and the potential for increasing soybean production in the United States;

[(4) estimate the amounts of funds required to carry out a coordinated program of national soybean research to develop means of effectively increasing the overall United States soybean production and profitability; and

[(5) develop plans for and sponsor an international conference on soybean research for the purpose of comparing and sharing current information on the production and utilization of soybeans.

[(c) The Advisory Institute shall submit to the Senate Committee on Agriculture, Nutrition, and Forestry and the House Committee on Agriculture, not later than March 1, 1983, a comprehensive report on the findings of the Advisory Institute regarding research on soybean production and utilization. The Advisory Institute shall also include in such report its recommendations for actions that should be taken to ensure that an effective soybean research program is carried out in the United States.

[(d) Members shall receive no compensation for service on the Advisory Institute but may be paid, while in the performance of their duties away from their homes or regular places of business, travel expenses, including per diem in lieu of subsistence, as authorized by sections 5701 through 5707 of title 5, United States Code, for persons employed intermittently in Government service.

[(e) The Advisory Institute shall cease to exist on the day on which it submits its report to the committees referred to in subsection (c).]

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RESEARCH FACILITIES ACT

Act of July 22, 1963, Public Law 88–74, 77 Stat. 90, 7 U.S.C. 390 et seq.

AN ACT To assist the States to provide additional facilities for research at the State agricultural experimental stations

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it is hereby declared to be the policy of the Congress to continue its support of agricultural research at eligible institutions through Federal-grant funds *on a matching funds basis* to help finance physical facilities *and equipment* as required for the effective conduct of [an adequate research program] *agricultural research and related academic programs.*

SEC. 2. The purpose of this Act is to assist eligible institutions in the construction, acquisition, and remodeling of buildings, laboratories, and other capital facilities (including the acquisition of fixtures and equipment [which are to become a part of such buildings]) which are necessary to more effectively conduct research in agriculture and sciences related thereto through means of *matching* grants from the Federal Government.

SEC. 3. As used in sections 2 to 11, inclusive, of this Act—

(1) the term "State" shall include Puerto Rico *the District of Columbia, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands;*

(2) the term "eligible institution" means a department established under provisions of the Act of March 2, 1887 (24 Stat. 440–442, as amended; 7 U.S.C. 361a–361i), and under the direction of a college or university established in any State in accordance with the Act of July 2, 1982 (12 Stat. 503–505, as amended; 7 U.S.C. 301–305, 307 and 308), a department otherwise established pursuant to standards prescribed by any State the purpose of which is to conduct agricultural*, forestry, or veterinary medicine* research, the Connecticut Agricultural Experiment Station at New Haven, Connecticut, the Ohio Agricultural Experiment Station at Wooster, Ohio, and those colleges, universities, and other legal entities in each State now receiving, or which may hereafter receive, benefits under the Act of August 30, 1980 (26 Stat. 417–419, as amended; 7 U.S.C. 321–326 and 328), including the Tuskegee Institute, or the Act of October 10, 1962 (72 Stat. 806–807, as amended; 16 U.S.C. 582a, 582a-1—582a-7); and

(3) the term "Secretary" shall mean the Secretary of Agriculture.

SEC. 4. (a) There are hereby authorized to be appropriated for [allocation] *grants* to eligible institutions under this Act to be used for the purpose set out in section 2 of this Act, $15,000,000 for the fiscal year ending September 30, 1978, $19,000,000 for the fiscal year ending September 30, 1979, $23,000,000 for the fiscal year ending September 30, 1980, $27,000,000 for the fiscal year ending September 30, 1981, and $31,000,000 for each of the fiscal years ending September 30, 1982, [September 30, 1983, September 30, 1984, and September 30, 1985] *through September 30, 1989,* and not in excess of such sums as may after the date of enactment of the Food and Agriculture Act of 1977 be authorized by law for any subsequent fiscal year. *The amount of the non-Federal share required for a matching grant under this Act shall be determined by the Secretary.*

[(b)(1) The first $4,000,000 appropriated for research facilities pursuant to this section for any fiscal year shall be apportioned equally among eligible institutions.

[(2) Any amount in excess of $4,000,000 appropriated under this section for any fiscal year shall be apportioned as follows: Each eligible institution shall be entitled to an amount which bears the same ratio to the total amount of funds being allocated in such fiscal year under this paragraph as the amount received by such institution in the preceding fiscal year bears to the total amount received by all eligible institutions in such preceding fiscal year. The amount received by eligible institutions in the preceding fiscal year shall be determined on the basis of funds received under section 3 of the Act of March 2, 1887, section 3 of the Act of October 10, 1962, and—with respect to institutions receiving benefits under the Act of August 30, 1890, including Tuskegee Institute—on the basis of funds received under section 2 of the Act of August 4, 1965 (79 Stat. 431; 7 U.S.C. 450i), during the fiscal yeas ending September 30, 1977, and September 30, 1978, and on the basis of funds received under section 1445 of the Food and Agriculture Act of 1977 in subsequent years.]

[(c)] *(b)* It shall be the duty and responsibility of the Secretary to administer the provisions of this Act under such rules and regulations as the Secretary may prescribe as necessary therefor.

Sec. 5. As condition for receiving funds [apportioned] under section 4 of this Act, each eligible institution shall submit, in such form as the Secretary may require, specific proposals for planning, acquisition, construction, repair, rehabilitation, renovation, or remodeling of buildings, laboratories, and other capital facilities including the acquisition of fixtures and equipment, including scientific instrumentation [which are to become part of such buildings]. [In a State having more than one eligible institution the Secretary shall devise procedures to insure that the facility proposals of the eligible institutions in such State provide for a coordinated food and agricultural research program among eligible institutions in such State.]

[Sec. 6. Any unused portion of the allotment to any eligible institution for any fiscal year shall remain available at the option of such institution for payment to such institution for a period of not more than five fiscal years following the fiscal year in which such allotment is first made available.]

Sec. 7. With respect to multiple-purpose *equipment and* physical facilities, the segment or portion therefof which is to be utilized for food and agricultural research *and related programs, including forestry and veterinary medicine,* shall be the basis for determination of fund support under this Act.

Sec. 8. For each fiscal year that funds are made available [for allocation], the Secretary shall ascertain, at the earliest practicable date during such year, the amount of the [allocation to which each eligible institution is entitled] *funds to be made available to each eligible institution* and shall notify each such institution in writing promptly thereafter as to the amount of such [allocation] *funds.*

Sec. 9. (a) Any eligible institution authorized to receive payments under the provisions of section 4 of this Act shall have a chief administrative officer and a duly designated fiscal officer[, who shall be the persons responsible for receipt of payments under the Acts referred to in section 4(b) of this Act,] to whom payments can be directed by the Secretary. Such fiscal officer shall receive and account for all funds paid to such institution pursuant to the provisions of this Act, and shall submit a report, approved by the chief administrative officer of such institution, to the Secretary on or before the first day of December of each year. Such report shall contain a detailed statement of the amount received under the provisions of this Act during the preceding fiscal year, and of its disbursements on schedules prescribed by the Secretary.

(b) If any portion of the [allotted] funds received by the duly authorized fiscal officer of any eligible institution shall by any action or contingency be diminshed, lost, or misapplied, it shall be repaid by the institution concerned, and until repaid no part of any subsequent appropriation shall be [allocated or] paid to such institution.

Sec. 10. The Secretary shall make an annual report to Congress during the first regular session of each year with respect to (1) payments made under this Act, (2) the facilities, by institution, for which such payments were made, and (3) whether any portion of the appropriation available [for allotment] to any of the eligible institutions has been withheld and, if so, the the reasons therefor.

Sec. 11. Three per centum of funds appropriated under this Act shall be available to the Secretary for administration of this Act.

COMPETITIVE, SPECIAL AND FACILITIES RESEARCH GRANTS

Act of August 4, 1965, Public Law 89-106, 79 Stat. 431, 7 U.S.C. 450i

AN ACT To facilitate the work of the Department of Agriculture, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

* * * * * * *

Sec. 2. (a) In order to promote research in food, agriculture, and related areas, a research grants program is hereby established in the Department of Agriculture.

(b) The Secretary of Agriculture is authorized to make competitive grants, for periods not to exceed five years, to State agricultural experiment stations, all colleges and universities, other research institutions and organizations, Federal agencies, private organizations or corporations, and individuals, for research to further the programs of the Department of Agriculture. To the greatest extent possible the Secretary shall allocate these grants to high priority research taking into consideration, when available, the determinations made by the Joint Council on Food and Agricultural Sciences and the National Agricultural Research and Extension Users Advisory Board identifying high priority research areas. For purposes of the preceding sentence, high priority research shall include—

(1) basic research aimed at the discovery of new scientific principles and techniques that may be applicable in agriculture and forestry;

(2) research aimed at the development of new and innovative products, methods, and technologies relating to biological nitrogen fixation, photosynthesis, and other processes which will improve and increase the production of agricultural and forestry resources;

(3) basic and applied research in the fields of animal productivity and health;

(4) basic and applied research in the fields of soil and water;

(5) basic and applied research in the field of human nutrition; **[**and**]**

(6) research to develop new strains of crops and new promising crops, including guayule, jojoba, and others. In seeking research proposals and in performing peer review evaluations of such proposals under this subsection, the Secretary shall seek the widest participation of qualified scientists in the Federal Government, all colleges and universities, State agricultural experiment stations, and the private sector. The research grants shall be made without regard to matching funds by the recipient or recipients of such grants. There are hereby authorized to be appropriated for the purpose of carrying out the provisions of this subsection, $25,000,000 for the fiscal year ending September 30, 1978, $30,000,000 for the fiscal year ending September 30, 1979, $35,000,000 for the fiscal year ending September 30, 1980, $40,000,000 for the fiscal year ending September 30, 1981, **[**and**]** $50,000,000 for each of the fiscal years ending September 30, 1982, September 30, 1983, September 30, 1984, and September 30, 1985, *and $70,000,000 for each of the fiscal years ending September 30, 1986, through September 30, 1989,* and not in excess of such sums as may after the date of enactment of the Food and Agriculture Act of 1977 be authorized by law for any subsequent fiscal year**[**.**]** *;*

(7) research to develop new and alternative industrial uses for agricultural crops; and

(8) research to reduce farm input costs through the collection of national and international data and the transfer of appropriate technology relating to sustainable agricultural systems, soil, energy, and water conservation technologies, rural and farm resource management, and the diversification of farm product processing and marketing systems.

* * * * * * *

(i) The Federal Advisory Committee Act (5 U.S.C. App. 2) and title XVIII of the Food and Agriculture Act of 1977 (7 U.S.C. 2281 et seq.) shall not apply to a panel or board created for the purpose of reviewing applications or proposals submitted under this section.

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TITLE XVI—CONSERVATION

CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

* * * * * * *

SEC. 335. (a) * * *

(c) The Secretary may determine whether real property administered under this title is suitable for disposition to persons eligible for assistance under the provision of any law administered by the Farmers Home Administration. Any property which the Secretary determines to be suitable for such purposes shall, whenever practicable, be sold by the Secretary as expeditiously as possible to such eligible persons in a manner consistent with such provisions hereof. Real property which is not determined suitable for sale to such eligible persons or which has not been purchased by such persons within a period of three years from the date of acquisition, shall be sold by the Secretary after public notice at public sale and, if no acceptable bid is received then by negotiated sale, at the best price obtainable for cash or on secured credit without regard to the laws governing the disposition of excess or surplus property of the United States. The terms of such sale shall require an initial downpayment and the remainder of the sales price payable in installments with interest on unpaid balance at the rate determined by the Secretary, but not in any event at rates and terms more favorable than those legally permissible for eligible borrowers. Any conveyances under this section shall include all of the interest of the United States, including mineral rights, *other than easements acquired under section 349.*

* * * * * * *

SEC. 348. * * *

SEC. 349. (a) For purposes of this section:

(1) The term "governmental entity" means any agency of the United States, a State, or a unit of local government of a State.

(2) The term "highly erodible land" means such term as defined in section 1601(a)(8) of the Agriculture Food, Trade, and Conservation Act of 1985.

(3) The term "wetland" means such term as defined in section 1601(a)(19) of such Act.

(4) The term "wildlife" means fish or wildlife as defined in section 2(a) of the Lacey Act Amendments of 1981 (16 U.S.C. 3371(a)).

(b) Subject to subsection (c), the Secretary may acquire and retain an easement in real property, for a term of not less than 50 years, for conservation, recreational, and wildlife purposes.

(c) Such easement may be acquired or retained for real property if such property—

(1) is wetland or highly erodible land;

(2) is determined by the Secretary to be suitable for the purpose involved;

(3)(A)(i) secures any loan made any law administered by the Farmers Home Administration and held by the Secretary; and

(ii) the borrower of such loan is unable, as determined by the Secretary, to repay such loan in a timely manner; or

(B) is administered under this title by the Secretary; and

(4) was row cropped in each year of the 3-year period ending on the date of the enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

(d) The terms and conditions specified in each such easement shall—

(1) specify the purposes for which such real property may be used;

(2) identify the conservation measures to be taken, and the recreational and wildlife uses to be allowed, with respect to such real property; and

(3) require such owner to allow the Secretary, and any person or governmental entity designated by the Secretary, to have access to such real property for the purpose of monitoring compliance with such easement.

(e) Any such easement acquired by the Secretary shall be purchased from the borrower involved by canceling that part of the aggregate amount of such outstanding loans of the borrower held by the Secretary under laws administered by the Farmers Home Administration that bears the same ratio to the aggregate amount of the outstanding loans of such borrower held by the Secretary under all such laws as the number of acres of the real property of such borrower that are subject to such easement bears to the aggregate number of acres securing such loans.

(f) If the Secretary elects to use the authority provided by this section, the Secretary shall consult with the Director of the Fish and Wildlife Service for purposes of—

(1) selecting real property in which the Secretary may acquire easements under this section;

(2) formulating the terms and conditions of such easements; and

(3) enforcing such easements.

(g) The Secretary, and any person or governmental entity designated by the Secretary, may enforce an easement acquired by the Secretary under this section.

(h) This section shall not apply with respect to the cancellation of any part of any loan that was made after the date of the enactment of Agriculture, Food, Trade, and Conservation Act of 1985.

AGRICULTURAL ACT OF 1970

* * * * * * *

SEC. 1001. Notwithstanding any other provision of law the Secretary shall carry out the purposes specified in clauses (1), (2), (3), (4), and (6) of section 7(a) of the Soil Conservation and Domestic Allotment Act, as amended, section 16(b) of such Act, and in the Water Bank Act (16 U.S.C. 1301 et seq.) by entering into contracts of three, five, ten, or twenty-five years with, and at the option of, eligible owners and operators of land as determined by the Secretary and having such control as the Secretary determines to be needed on the farms, ranches, wetlands, forests, or other lands covered thereby. In addition, the Secretary is hereby authorized to purchase [perpetual] easements *for a term of not less than 50 years* to promote said purpose of this Title, including the sound use and promote said purpose of this Title, including the sound use and management of flood plains, shore lands, and aquatic areas of the Nation. Such contracts shall be designed to assist farm, ranch, wetland, and nonindustrial private forest owners and operators, or other owners or operators, to make, in orderly progression over a period of years, such changes, if any, as are needed to effectuate any of the purposes specified in clauses (1), (2), (3), (4), and (6) of section 7(a) of the Soil Conservation and Domestic Allotment Act, as amended; section 16(b) of such Act; the Water Bank Act (16 U.S.C. 1301 et seq.); in enlarging fish and wildlife and recreation sources; in improving the level of management of nonindustrial private forest lands; and in providing long-term wildlife and upland game cover. In carrying out the provisions of this title, due regard shall be given to the maintenance of a continuing and stable supply of agricultural commodities and forest products adequate to meet consumer demand at prices fair to both producers and consumers.

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Soil Conservation and Domestic Allotment Act

AN ACT To provide for the protection of land resources against soil erosion, and for other purposes.

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AGRICULTURAL CONSERVATION POLICY AND ENUMERATION OF PURPOSES

SEC. 7. (a) It is hereby declared to be the policy of this Act also to secure, and the purposes of this Act shall also include, (1) preservation and improvement of soil fertility; (2) promotion of the economic use and conservation of land; (3) diminution of exploitation and wasteful and unscientific use of national soil resources; (4) the protection of rivers and harbors against the results of soil erosion in aid of maintaining the navigability of water and water courses and in aid of flood control; (5) reestablishment, at as rapid a rate as the Secretary of Agriculture determines to be practicable and in the general public interest, of the ratio between the purchasing power of the net income per person on farms and that of the income per person not on farms that prevailed during the five-year period August 1909–July 1914, inclusive, as determined from statistics available in the United States Department of Agriculture, and the maintenance of such ratio; **[and]** (6) prevention and abatement of agricultural-related pollution, *and (7) the promotion of energy and water conservation through dry land farming.* The powers conferred under sections 7 to 14, inclusive, of this Act shall be used to assist voluntary action calculated to effectuate the purposes specified in this section. Such powers shall not be used to discourage the production of supplies of foods and fibers sufficient to maintain normal domestic human consumption as determined by the Secretary from the records of domestic human consumption in the years 1920 to 1929, inclusive, taking into consideration increased population, quantities of any commodity that were forced into domestic consumption by decline in exports during such period, current trends in domestic consumption and exports of particular commodities, and the quantities of substitutes available for domestic consumption within any general class of food commodities. In carrying out the purposes of this section due regard shall be given to the maintenance of a continuous and stable supply of agricultural commodities adequate to meet consumer demand at prices fair to both producers and consumers.

SEC. 8. (a) * * *

(d) Any payment or grant of aid made under subsection (b) shall be conditioned upon the utilization of the land, with respect to which such payment is made, in conformity with farming practices which the Secretary finds tend to effectuate any one or more of the purposes specified in clause (1), (2), (3), (4), (5), or (6) of section 7(a).

Any payment made under subsection (b) with respect to any farm except for lands which the Secretary determines should not be utilized for the harvesting of crops but should be permanently used for grazing purposes only shall if the number of cows kept on such farm, and in the county in which such farm is located, for the production of milk or products thereof (for market), exceeds the normal number of such cows, be further conditioned upon the utilization of the land, with respect to which such payment is made, so that soil-building and soil-conserving crops planted or produced on an acreage equal to the land normally used for the production of soil-depleting crops, but, as a condition of such payment, not permitted to be so used, shall be used for the purpose of building and conserving the fertility of the soil, or for the production of agricultural commodities to be consumed on the farm, and not for market. Whenever it is determined that a county, as a whole, is in substantial compliance with the provisions of this paragraph, no payment shall be denied any individual farmer in the county by reason of this paragraph; and no payment shall be denied a farmer by reason of this paragraph unless it has been determined that the farmer has not substantially complied with the provisions of this paragraph. Whenever the Secretary finds that by reason of drought, flood, or other disaster a shortage of feed exists in any area, he shall so declare, and to the extent and for the period he finds necessary to relieve such shortage, the operation of the condition provided in this paragraph shall be suspended in such area and, if necessary to relieve such shortage, in other areas defined by him. As used in this paragraph, the term "for market" means for disposition by sale, barter, or exchange, or by feeding (in any form) to dairy livestock which, or the products of which, are to be sold, bartered or exchanged; and such terms shall not include consumption on the farm. An agricultural commodity shall be deemed consumed on the farm if consumed by the farmer's family, employees, or household, or if fed to poultry or livestock other than dairy livestock on his farm; or if fed to dairy livestock on his farm and such dairy livestock, or the products thereof are to be consumed by his family, employees, or household. Whenever the Secretary has reason to believe the income of producers of livestock (other than dairy cattle) or poultry in any area from such sources is being adversely affected by increases in the supply for market of such livestock or poultry, as the case may be, arising as a result of programs carried out under this Act, he shall make an investigation with respect to the existence of such facts. If, upon investigation, the Secretary finds that the income of producers of such livestock, or poultry, as the case may be, in any area from any such source is being adversely affected by such increases, he shall, as soon as practicable make such provision in the administration of this Act with respect to the use of diverted acres as he may find necessary to protect the interests of producers of such livestock or poultry in the affected area.

To be eligible to receive a payment or grant of aid made under the agricultural conservation program authorized by sections 7 through 15, 16(a), 16(f), and 17 of this Act and sections 1001 through 1008 and 1010 of the Agricultural Act of 1970 (16 U.S.C. 1501 through 1508 and 1510), a producer must use such payment or grant in accordance with a conservation plan approved by (1) the soil and water conservation district or districts in which the land described in the plan is situated, or (2) in areas where such district or districts does not exist or fails to act on the approval of such plan, the Secretary of Agriculture. In order to receive such approval, such plan must ensure that soil loss levels on lands subject to such plan do not exceed the soil loss tolerance levels determined by the Secretary of Agriculture. The Secretary of Agriculture shall provide technical assistance to producers to assist producers in preparing such plans.

SOIL AND WATER RESOURCES CONSERVATION ACT OF 1977

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APPRAISAL

SEC. 5. (a) * * *

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[(d) The appraisal shall be completed by December 31, 1979, and at each five-year interval thereafter during the period this Act is in effect.]

(d)(1) An appraisal required by this Act shall be completed not later than December 31, 1979, December 31, 1984, December 31, 1994, and December 31, 2004.

(2) In the case of an appraisal due to be completed after December 31, 1984, the Secretary may supplement the preceding appraisal in lieu of preparing a new appraisal.

(3) The Secretary may make such additional interim appraisals as the Secretary considers appropriate.

SOIL AND WATER CONSERVATION PROGRAM

SEC. 6. (a) The Secretary is hereby authorized and directed to develop in cooperation with and participation by the public through conservation districts, State and national organizations and agencies and other appropriate means, a national soil and water conservation program (hereinafter called the "program") to be used as a guide in carrying out the activities of the Soil Conservation Service which assist landowners and land users, at their request, in furthering soil and water conservation on the private and non-Federal lands of the Nation. The program shall set forth direction for future soil and water conservation efforts of the United States Department of Agriculture based on the current soil, water, and related resource appraisal developed in accordance with section 5 of this Act, taking into consideration both the long- and short-term needs of the Nation, the landowners, and the land users, and the roles [and responsibilities] *responsibilities, and priorities* of Federal, State, and local governments in such conservation efforts. The program shall also include but not be limited to—

* * * * * * *

[(b) The program plan shall be completed not later than December 31, 1979, and be updated at each five-year interval thereafter during the period this Act is in effect.]

(b)(1) A program plan required by this section shall be completed not later than December 31, 1979, December 31, 1984, December 31, 1994, and December 31, 2004.

(2) In the case of a program plan due to be completed after December 31, 1984, the Secretary may supplement the preceding program plan in lieu of preparing a new plan.

REPORT TO CONGRESS

SEC. 7. (a) On the first day Congress convenes in 1980 [and at each five-year interval thereafter during the period this Act is in effect], *1984, 1994, and 2004,* the President shall transmit to the Speaker of the House of Representatives and the President of the Senate, the appraisal and the program as required by sections 5 and 6 of this Act, together with a detailed statement of policy regarding soil and water conservation activities of the United States Department of Agriculture.

* * * * * * *

SEC. 10. The provisions of this Act shall terminate on December 31, [1985] *2005.*

AGRICULTURAL PROGRAMS ADJUSTMENT ACT OF 1984

AN ACT To make adjustments in the commodity programs for wheat, feed grains, upland cotton, and rice, to provide agricultural credit assistance, and for other purposes

* * * * * * *

[SEC. 608. Notwithstanding any other provision of law, the Secretary of Agriculture may develop and implement a program for the amortization of delinquent Farmers Home Administration loans from future revenues generated by timber crops planted and managed on lands previously used to produce commodities or pasture and subject to Farmers Home Administration liens. The Secretary shall submit a report to Congress by October 1, 1984, outlining the feasibility of such program and the plan for its implementation.]

SOFTWOOD TIMBER

SEC. 608. (a)(1) Notwithstanding any other provision of law, the Secretary of Agriculture (hereafter in this section referred to as the 'Secretary') shall implement a program under which a delinquent loan made or insured under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.), or a portion thereof, may be reamortized with the use of future revenue produced from the planting of softwood timber crops on land that—

(A) was previously used to produce an agricultural commodity or as pasture; and

(B) secures a loan made or insured under such Act.

(2) Accrued interest on a loan reamortized under this section may be capitalized and interest charged on such interest.

(3) Payments on such reamortized loan may be deferred until such softwood timber crop produces revenue or for a term of 45 years, whichever comes first.

(4) Repayment of such reamortized loan shall be made not later than 50 years after the date of reamortization.

(b) The interest rate on such reamortized loans shall be determined by the Secretary, but not in excess of the current average yield on outstanding marketable obligations of the United States with periods to maturity comparable to the average maturities of such loans, plus not to exceed 1 percent, as determined by the Secretary and adjusted to the nearest one-eighth of 1 percent.

(c) To be eligible for such program—

(1) the borrower of such reamortized loan must place not less than 50 acres of such land in softwood timber production;

(2) such land (including timber) may not have any lien against such land other than a lien for—

(A) a loan made or insured under the Consolidated Farm and Rural Development Act to secure such reamortized loan; or

(B) a loan made under this section, at the time of reamortization or thereafter, that is subject to a lien on such land (including timber) in favor of the Secretary; and

(3) the total amount of loans secured by such land (including timber) may not exceed $1,000 per acre.

(d)(1) To assist such borrowers to place such land in softwood timber production, the Secretary may make loans to such borrowers for such purpose in an aggregate amount not to exceed $100,000 per borrower.

(2) Any such loan shall be secured by the land (including timber) on which the trees are planted.

(3) Such loans shall be made on the same terms and conditions as are provided in this section for reamortized loans.

(e) The Secretary shall issue such rules as are necessary to carry out this section, including rules prescribing terms and conditions for—

(1) reamortizing and making loans under this section; and

(2) entering into security instruments and agreements under this section.

(f) There are authorized to be appropriated such sums as are necessary to carry out this section.

TITLE XVII—AGRICULTURAL CREDIT

CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

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TITLE III—AGRICULTURAL CREDIT

* * * * * * *

Subtitle A—Real Estate Loans

SEC. 302. (*a*) The Secretary is authorized to make and insure loans under this subtitle to farmers and ranchers in the United States, and to farm cooperatives and private domestic corporations and partnerships that are controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States, subject to the conditions specified in this section. To be eligible for such loans, applicants who are individuals, or, in the case of cooperatives, corporations, and partnerships, members, stockholders, or partners, as applicable, holding a majority interest in such entity, must (1) be citizens of the United states, (2) have either training or farming experience that the Secretary determines is sufficient to assure reasonable prospects of success in the proposed farming operations, (3) be or will become owner-operators of not larger than family farms (or in the case of cooperatives, corporations, and partnerships in which a majority interest is held by members, stockholders, or partners, as applicable, who are related by blood or marriage, as defined by the Secretary, such individuals must be or will become either owners or operators of not larger than a family farm and at least one such individual must be or will become an operator of not larger than a family farm), and (4) be unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. In addition to the foregoing requirements of this section, in the case of corporations and partnerships, the family farm requirement of clause (3) of the preceding sentence shall apply as well to the farm or farms in which the entity has an ownership and operator interest and the requirement of clause (4) of the preceding sentence shall apply as well to the entity in the case of cooperatives, corporations, and partnerships.

(b) The Secretary may not restrict eligibility for loans made or insured under this subtitle for purposes set forth in section 303 solely to borrowers of loans that are outstanding on the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

* * * * * * *

SEC. 306. (a)(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, Indian tribes on Federal and State reservations and other federally recognized Indian tribes, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage or waste disposal facilities, recreational developments, and essential community facilities including necessary related equipment, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes. When any loan made for a purpose specified in this paragraph is sold out of the Agricultural Credit Insurance Fund (after December 31, 1970) as an insured loan, the interest or other income thereon paid to an insured holder shall be included in gross income for purposes of chapter 1 of the Internal Revenue Code of 1954. With respect to loans of less than $500,000 made or insured under this paragraph that are evidenced by notes and mortgages, as distinguished from bond issues, borrowers shall not be required to appoint bond counsel to review the legal validity of the loan whenever the Secretary has available legal counsel to perform such review.

* * * * * * * *

(16)(A) In the approval and administration of a loan made under paragraph (1) for a water or waste disposal facility, the Secretary shall consider fully any recommendation made by the loan applicant or borrower concerning the technical design and choice of materials to be used for such facility.

(B) If the Secretary determines that a design or materials, other than those that were recommended, should be used in the water or waste disposal facility, the Secretary shall provide such applicant or borrower with a comprehensive justification for such determination.

SEC. 307. (a)(1) The period for repayment of loans under this subtitle shall not exceed forty years.

(2) Except as otherwise provided in paragraphs (3), (4), (5), and (6) of this subsection, the interest rates on loans under this subtitle shall be as determined by the Secretary, but not in excess of the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, plus not to exceed 1 per centum, as determined by the Secretary, and adjusted to the nearest one-eighth of 1 per centum.

(3)(A) Except as provided in paragraph (6), the interest rates on loans (other than guaranteed loans), to public bodies or nonprofit associations (including Indian tribes on Federal and State reservations and other federally recognized Indian tribal groups) for water and waste disposal facilities and essential community facilities shall be set by the Secretary, at rates not to exceed the current market yield for outstanding municipal obligations with remaining periods to maturity comparable to the average maturity for such loans, and adjusted to the nearest one-eighth of 1 per centum; and not in excess of 5 per centum per annum for any such loans which are for the upgrading of existing facilities or construction of new facilities as required to meet applicable health or sanitary standards in areas where the median family income of the persons to be served by such facility is below **[**the poverty line prescribed by the Office of Management and Budget as adjusted under section 624 of the Economic Opportunity Act of 1964 (42 U.S.C. 2971d)**]** *the higher of (i) 80 percent of the statewide nonmetropolitan median household income, or (ii) the poverty line as defined in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2),* and in other areas as the Secretary may designate where a significant percentage of the persons to be served by such facilities are of low income, as determined by the Secretary. *The interest rate on a loan for such facility may not exceed 7 percent per annum if such facility* *does not qualify for the 5 percent per annum interest rate, but is located in an area where the median household income of the persons to be served by the facility does not exceed 100 percent of the statewide nonmetropolitan median household income.*

* * * * * * *

(4) Except as provided in paragraph (6), the interest rates on loans under [sections 304(b), 306(a)(1), and 310B] *sections 304(b) and 306(a)(1)* of this title (other than guaranteed loans and loans as described in paragraph (3) of this subsection) shall be as determined by the Secretary, but not less than such rates as determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted in the judgment of the Secretary of the Treasury to provide for rates comparable to the rates prevailing in the private market for similar loans and considering the Secretary's insurance of the loans, plus an additional charge, prescribed by the Secretary, to cover the Secretary's losses and cost of administration, which charge shall be deposited in the Rural Development Insurance Fund, and further adjusted to the nearest one-eighth of 1 per centum.

* * * * * * *

(6)(A) Notwithstanding any other provision of this section, in the case of loans (other than guaranteed loans) made or insured under the authorities of this Act specified in subparagraph (B) for activities that involve the use of prime farmland as defined in subparagraph (C), the interest rates shall be the interest rates otherwise applicable under this section increased by 2 per centum per annum. Wherever practicable, construction by a State, municipality, or other political subdivision of local government that is supported by loans described in the preceding sentence shall be placed on land that is not prime farmland, in order to preserve the maximum practicable amount of prime farmlands for production of food and fiber. Where other options exist for the siting of such construction and where the governmental authority still desires to carry out such construction on prime farmland, the 2 per centum interest rate increase provided by this clause shall apply, but such increased interest rate shall not apply where such other options do not exist.

(B) The authorities referred to in subparagraph (A) are—

(i) clauses (2) and (3) of section 303(a),

(ii) the provisions of section 304(a) relating to the financing of outdoor recreational enterprises or the conversion of farming or ranching operations to recreational uses,

(iii) section 304(b),

(iv) the provisions of section 306(a)(1) relating to loans for recreational developments and essential community facilities,

(v) section 306(a)(15), *and*

[(vii) clause (1) of section 310B(a)

[(vii) subsections (d) and (e) of section 310B, and

[(viii)**]** *(vi)* section 310D(a) as it relates to the making or insuring of loans under clauses (2) and (3) of section 303(a).

* * * * * * *

Sec. 309.* * *

(d) Notes and security acquired by the Secretary in connection with loans insured under this subtitle and under prior authority shall become a part of the fund. Notes may be held in the fund and collected in accordance with their terms or may be sold by the Secretary with or without agreements for insurance thereof at the balance due thereon, or on such other basis as the Secretary may determine from time to time**[**.**]**, *including sale on a nonrecourse basis. The Secretary and any subsequent purchaser of such notes sold by the Secretary on a nonrecourse basis shall be relieved of any responsibilities that might have been imposed, had the borrower remained indebted to the Secretary. All such notes sold on a nonrecourse basis must have been held in the fund for at least 4 years.* All net proceeds from such collections, including sales of notes or property, shall be deposited in and become a part of the fund.

Sec. 309A. * * *

(e) Notes and security acquired by the Secretary in connection with rural development loans made, guaranteed, or insured under this title or transferred by subsection (b) of this section shall become a part of the Insurance Fund. Notes may be held in the Insurance Fund and collected in accordance with their terms or may be sold by the Secretary with or without agreements for insurance thereof that the balance due thereon, or on such other basis as the Secretary may determine from time to time**[**.**]**, *including sale on a nonrecourse bases. The Secretary and any subsequent purchaser of such notes sold by the Secretary on a nonrecourse basis shall be relieved of any responsibilities that might have been imposed, had the borrower remained indebted to the Secretary.* All net proceeds from such collections, including sales of notes or propety, shall be deposited in and become part of the Insurance Fund.

* * * * * * *

(g) The Secretary may utilize the Insurance Fund—

* * * * * * *

(8) to pay the Secretary's costs of administration necessary to insure loans under the programs referred to in subsection (a) of this section, make grants under **[**sections 306(a) and 310B**]** *section 306(a)* of this title, service, and otherwise carry out such programs, including costs of the Secretary incidental to guaranteeing rural development loans under this title, either directly from the Insurance fund or by transfers from the Fund to, and merger with, any appropriations for administrative expenses.

Sec. 310B. (a) The Secretary may **[**also make and insure loans**]** *guarantee loans made* to public, private, or cooperative organizations organized for profit or nonprofit, to Indian tribes on Federal and State reservations or other federally recognized Indian tribal groups or to individuals for the purposes of **[**(1) improving, developing, or financing business, industry, and employment and improving the economic and environmental climate in rural communities, including pollution abatement and control, (2) the conservation, development, and use of water for aquaculture purposes in rural areas, and (3) reducing the reliance on nonrenewable energy resources by encouraging the development and construction of solar energy systems, including the modification of existing systems, in rural areas.] *financing the production and distribution of ethanol in rural areas.* [For the purposes of this subsection, the term "solar energy" means energy derived from sources (other than fossil fuels) and technologies included in the Federal Nonnuclear Energy Research and Development Act of 1974, as amended.] Such loans, when originated, held, and serviced by other lenders, may be guaranteed by the Secretary under this section without regard to subsections (a) and (c) of section 333. [As used in this subsection, the term "acquaculture" means the culture or husbandry of aquatic animals or plants by private industry for commercial purposes including the culture and growing of fish by private industry for the purpose of creating or augmenting publicly owned and regulated stocks of fish.

[(b) The Secretary may make grants, not to exceed $50,000,000 annually, to eligible applicants under this section for pollution abatement and control projects in rural areas. No such grant shall exceed 50 per centum of the development cost of such a project.

[(c) The Secretary may also make grants, not to exceed $50,000,000 annually, to public bodies for measures designed to facilitate development of private business enterprises, including the development, construction or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities, refinancing, services and fees.

[(d) The Secretary may participate in joint financing to facilitate development of private business enterprises in rural areas with the Economic Development Administration, the Small Business Administration, and the Department of Housing and Urban Development and other Federal and State agencies and with private and quasi-public financial institutions, through joint loans to applicants eligible under subsection (a) for the purpose of improving, developing, or financing business, industry, and employment and improving the economic and environmental climate in rural areas or through joint grants to applicants eligible under subsection (c) for such purposes, including in the case of loans or grants the development, construction, or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities, refinancing, service and fees.]

(b)(1) No financial or other assistance shall be extended under any provision of sections 304(b), 310B, and 312(b), except for cases in which such assistance does not exceed, $1,000,000 or for cases in which direct employment will not be increased by more than fifty employees, that is calculated to or is likely to result in the transfer from one area to another of any employment or business activity provided by operations of the applicant, but this limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the establishment or such branch, affiliate, or subsidiary will not result in an increase in un-

employment in the area of original location or in any other area where such entity conducts business operations unless there is reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

* * * * * * *

[(e)(1) The Secretary may also insure and guarantee loans under this section to public, private, or cooperative organizations organized for profit or non-profit, or to individuals for the purpose of constructing or improving subterminal facilities if—

[(A) the construction or improvement of such facilities is consistent with the appropriate approved State or regional plans and the recommendations of the local plan review commission established pursuant to the Agricultural Subterminal Facilities Act of 1980;

[(B) the Secretary determines that the ownership and operation of such subterminal facilities will result in the efficient and competitive movement of bulk agricultural commodities and will return increased benefits to the local producers served by such facilities; and

[(C) the Secretary determines that the rail carrier designated to provide service to any such facility will be able to provide adequate service.

[Such loans may be made available for purchase of rail rolling stock (including locomotives), motor trucks, barges, and other bulk agricultural commodities transport equipment to be used in conjunction with the operation of subterminal facilities.

[(2) The Secretary may only insure or guarantee loans under this subsection if the Secretary finds that applicants are unable to obtain credit from commercial lending institutions (including specialized lending institutions established to provide credit to agricultural producers) on reasonable terms and conditions.

[(3) In order to preserve local ownership and control of agricultural transportation facilities, the Secretary shall give preference under this subsection to existing agricultural elevator operators and local producers in areas in which subterminal facilities are proposed to be located.

[(4)(A) The total amount of loan authority made available for use for the purpose of this subsection for any fiscal year shall be allocated by the Secretary on the basis of need among those States that have approved State or regional plans as defined in the Agricultural Subterminal Facilities Act of 1980. Such allocation shall be based on such formula as the Secretary shall prescribe by regulation.

[(B) Any loan authority available for use in any State in any fiscal year that is not used by such State shall be reallocated, to the extent practicable, among other States eligible for the assistance provided under this section, in accordance with the same formula developed by the Secretary for the initial allocation of loan authority under this subsection.

[(5) As used in this subsection, the term "subterminal facility" has the same meaning as provided in the Agricultural Subterminal Facilities Act of 1980.

[(6) Within one hundred and eighty days after the effective date of the Agricultural Subterminal Facilities Act of 1980, the Secretary shall establish such rules and regulations as may be necessary to implement the provisions of this subsection.

* * * * * * *

Subtitle B.—Operating Loans

SEC. 311. (a) The Secretary is authorized to make and insure loans under this subtitle to farmers and ranchers in the United States, and to farm cooperatives and private domestic corporations and partnerships that are controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States, subject to the conditions specified in this section. To be eligible for such loans, applicants who are individuals, or, in the case of cooperatives, corporations, and partnerships, members, stockholders, or partners, as applicable, holding a majority interest in such entity, must (1) be citizens of the United States, (2) have either training or farming experience that the Secretary determines is sufficient to assure reasonable prospects of success in the proposed farming operations, (3) be or will become operators of not larger than family farms (or in the case of cooperatives, corporations, and partnerships in which a majority interest is held by members, stockholders, or partners, as applicable, who are related by blood or marriage, as defined by the Secretary, such individuals must be or will become either owners or operators of not larger than a family farm and at least one such individual must be or will become an operator of not larger than a family farm), and (4) be unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. In addition to the foregoing requirements of this subsection, in the case of corporations and partnerships, the family farm requirement of clause (3) of the preceding sentence shall apply as well to the farm or farms in which the entity has an operator interest and the requirement of clause (4) of the preceding sentence shall apply as well to the entity in the case of cooperatives, corporations, and partnerships.

(b)(1) Loans may also be made under this subtitle without regard to the requirements of clauses (2) and (3) of subsection (a) to youths who are rural residents to enable them to operate enterprises in connection with their participation in 4-H Clubs, Future Farmers of America, and similar organizations and for the purposes specified in section 312.

(2) A person receiving a loan under this subsection who executes a promissory note therefore shall thereby incur full personal liability for the indebtedness evidenced by such note in accordance with its terms free of any disability of minority.

(3) For loans under this subsection the Secretary may accept the personal liability of a cosinger of the promissory note in addition to the borrowers' personal liability.

(c) The Secretary may not restrict eligibility for loans made or insured under this subtitle for purposes set forth in section 312 solely to borrowers of loans that are outstanding on the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

SEC. 312. (a) Loans may be made under this subtitle for (1) paying costs incident to reorganizing the farming system for more profitable operations, (2) purchasing livestock, poultry, and farm equipment (including equipment which utilizes solar energy), (3) purchasing feed, seed, fertilizer, insecticides, and farm supplies and to meet other essential farm operating expenses including cash rent, (4) financing land and water development, use, and conservation, (5) without regard to the requirements of section 311(a) (2) and (3), to farmers or ranchers to finance outdoor recreational enterprises or to convert to recreational uses their farming or ranching operations, including those heretofore financed under this title, (6) enterprises needed to supplement farm income, (7) refinancing existing indebtedness, (8) other farm and home needs including but not limited to family subsistence, (9) loan closing costs, (10) for assisting farmers or ranchers in effecting additions to or alterations in the equipment, facilities, or methods of operation of their farms or ranches in order to comply with the applicable standards promulgated pursuant to section 6 of the Occupational Safety and Health Act of 1970 or standards adopted by a State pursuant to a plan approved under section 18 of the Occupational Safety and Health Act of 1970, if the Secretary determines that any such farmer or rancher is likely to suffer substantial economic injury due to such compliance without assistance under this paragraph, **[**and**]** (11) assisting farmers and ranchers in reducing their dependence on nonrenewable energy resources through the development and construction of solar energy systems, including the modification of existing systems, *and (12) training in maintaining records of farming and ranching operations for limited resource borrowers receiving loans under section 310D.* For the purposes of this subtitle, the term "solar energy" means energy derived from sources (other than fossil fuels) and technologies included in the Federal Non-Nuclear Energy Research and Development Act of 1974, as amended.

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Subtitle C.—Emergency Loans

SEC. 321. * * *

[(b) Notwithstanding the credit elsewhere requirements of subsection (a) of this section and section 333(a) of this title, the Secretary shall implement a program under which the Secretary may make or insure loans under this subtitle to applicants able to obtain sufficient credit elsewhere, subject to the other terms and conditions for loans made or insured under this subtitle and such other terms and conditions as the Secretary may, by regulation, prescribe.**]**

(b) An applicant shall be ineligible for financial assistance under this subtitle for crop losses if crop insurance was avail-

able to the applicant for such crop under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.).

* * * * * * *

SEC. 324. [(a)(1) Except as otherwise provided in paragraph (2) of this subsection, no loan made or insured under this subtitle may exceed the amount of the actual loss caused by the disaster or $500,000, whichever is less, for each disaster.

[(2) Through September 30, 1982, loans may be made or insured under this subtitle in amounts in excess of the amount of actual loss (as limited under paragraph (1) of this subsection) to applicants who are not able to obtain sufficient credit elsewhere, within the following limits:

[(A) Through the end of fiscal year 1980, no such loan may be made or insured in an amount that would cause the total unpaid principal indebtedness of the applicant for loans or portions of loans in excess of the amount of actual loss to exceed $1,500,000;

[(B) During fiscal year 1981, no such loan may be made or insured in an amount that would cause the total unpaid principal indebtedness of the applicant for loans or portions of loans in excess of the amount of actual loss to exceed $1,000,000;

[(C) During fiscal year 1982, no such loan may be made or insured in an amount that would cause the total unpaid principal indebtedness of the applicant for loans or portion of loans in excess of the amount of actual loss to exceed $500,000; and

[(D) No loan or portion of a loan in excess of the amount of actual loss that is for more than $300,000 may be made or insured under this subtitle unless the Secretary determines that the applicant is not able to obtain from a private or cooperative lending agency a loan guaranteed by the Secretary under this subtitle sufficient to finance the applicant's actual needs at reasonable rates and terms (taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time).]

(a)(1) No loan made or insured under this subtitle may exceed the amount of the actual loss caused by the disaster or $200,000, whichever is less, for each disaster.

(2) The total principal indebtedness outstanding at any one time for loans made or insured to a borrower under this subtitle may not exceed $400,000.

(b) Loans under this subtitle shall be at rates of interest as follows:

(1) For loans or portions of loans up to the amount of the applicant's actual loss caused by the disaster, as limited under subsection (a)(1) of this section, the interest shall be at rates prescribed by the Secretary, [but (A) if the applicant is not able to obtain sufficient credit elsewhere, not in excess of 8 per centum per annum, and (B) if the applicant is able to obtain sufficient credit elsewhere, not in excess of the rate prevailing in the private market for similar loans, as determined by the Secretary] *but not in excess of 8 percent per annum;* and

[SEC. 330. Subsequent loans to continue the farming, ranching, or aquaculture operation may be made under this subtitle on an annual basis, for not to exceed two additional years, to eligible borrowers, subject to the limits on loans and the rates of interest established under section 324 of this title.]

Subtitle D.—Administration Provisions

SEC. 331. * * *

[(d) compromise, adjust, or reduce claims, and adjust and modify the terms of mortgages, leases, contracts, and agreements entered into or administered by the Farmers Home Administration under any of its programs, as circumstances may require, but compromises, adjustments, or reductions of claims of $25,000 or more shall not be made without the approval of the Administrator: *Provided, however,* That—

[(1) compromise, adjustment, or reduction of claims shall be based on the value of the security and a determination by the Secretary of the debtor's reasonable ability to pay considering his other assets and income at the time of the action and with or without the payment of any consideration at the time of such adjustment or reduction;

[(2) releases from personal liability may also be made with or without payment of any consideration at the time of adjustment of claims against—

[(A) borrowers who have transferred the security property to approved applicants under agreements assuming the outstanding secured indebtedness;

[(B) borrowers who have transferred the security property to approved applicants under agreements assuming that portion of the secured indebtedness equal to the current market value of the security property or transferred the security property to the Secretary;

[(C) borrowers who have transferred the security property to other than approved applicants under agreements assuming the full amount of, or that portion of the secured indebtedness equal to, the current market value of the security property on terms not to exceed five annual installments with interest on the unpaid balance at a rate determined by the Secretary; and

[(D) borrowers who transfer security property under subparagraph (B) and (C) above for amounts less than the indebtedness secured thereby may be released from personal liability only on a determination by the Secretary that each such borrower has no reasonable debt-paying ability considering his assets and income at the time of the transfer and the county committee certifies that the borrower has cooperated in good faith, used due diligence to maintain the security property against loss, and has otherwise fulfilled the covenants incident to his loan to the best of his ability;

[(3) no compromise, adjustment, or reduction of claims shall be made upon terms favorable than recommended by the appropriate county committee utilized pursuant to section 332 of this title; and

[(4) any claim which has been due and payable for five years or more, and where the debtor has no assets or no apparent future debt-paying ability from which the claim could be collected, or is deceased and has left no estate, or has been absent from his last known address for a period of at least five years, has no known assets, and his whereabouts cannot be ascertained without undue expense, may be charged off or released by the Secretary upon a report and favorable recommendation of the county committee and of the employee having charge of the claim, and any claim involving a principal balance of $150 or less may be charged off or released whenever it appears to the Secretary that further collection efforts would be ineffectual or likely to prove uneconomical; and

[(5) partial release and subordination or mortgages may be granted either where the secured indebtedness remaining after the transaction will be adequately secured or the security interest of the Secretary will not be adversely affected, and the transaction and use of proceeds will further the purposes for which the loan was made, improve the borrower's debt-paying ability, permit payments on indebtedness owned to or insured by the Secretary, or permit payment of reasonable costs and expenses incident to the transaction, including taxes incident of or resulting from the transaction which the borrower is unable to pay from other sources: *Provided further,* That no such compromise, adjustment, or reduction shall be made hereunder after the claim has been referred to the Attorney Government unless agreed to by the Attorney General.]

(d) compromise, adjust, reduce, or charge-off claims and adjust, modify, subordinate, or release the terms of security instruments, leases contracts, and agreements entered into or administered by the Farmers Home Administration under any of its programs, as circumstances may require, to carry out this title. The Secretary may release borrowers or others obligated on a debt incurred under this title from personnel liability with or without payment of any consideration at the time of the compromise, adjustment, reduction, or charge-off of any claim, except that no compromise, adjustment, reduction, or charge-off of any claim may be made or carried out—

(1) on terms more favorable than those recommended by the appropriate county committee utilized pursuant to section 332; or

(2) after the claim has been referred to the Attorney General, unless the Attorney General approves;

* * * * * * *

SEC. *331B.* * * *

SEC. *331C. The Secretary shall permit a borrower of a loan made or insured under this title, with the approval of the head of the ap-*

propriate State office of the Farmers Home Administration, to transfer, on a one-time basis, the accounts of such borrower for such loans to a county office of the Farmers Home Administration in an adjacent county.

Sec. 331D. (a) The Secretary shall permit a borrower of a loan made or insured under this title to make a prospective payment on such loan with proceeds from—

(1) the leasing of oil, as, or other mineral rights to real property used to secure such loan; or

(2) the sale of oil, gas, or other minerals removed from real property used to secure such loan if—

(A) the value of the rights to such oil, gas, or othe minerals has not been used to secure such loan; and

(B) the security for such loan is otherwise adequate.

(b) Subsection (a) shall not apply to a borrower of a loan made or insured under this title with respect to which a liquidation or foreclosure proceeding is pending on the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

* * * * * * *

SEC. 333. * * *

SEC. 333A. (a)(1) The Secretary shall approve or disapprove an application for a loan or loan guarantee made under this title, and notify the applicant of such action, not later than 90 days after the Secretary has received a complete application for such loan or loan guarantee.

(2) If an application for a loan or loan guarantee under this title is incomplete, the Secretary shall inform the applicant of the reasons such application is incomplete not later than 20 days after the Secretary has received such application.

(3) If an application for a loan or loan guarantee under this title is disapproved by the Secretary, the Secretary shall state the reasons for the disapproval in the notice required under paragraph (1).

(b)(1) Except as provided in paragraph (2), if an application for an insured loan under this title is approved by the Secretary, the Secretary shall provide the loan proceeds to the applicant not later than 15 days (or such longer period as the applicant may approve) after the application for the loan is approved by the Secretary.

(2) If the Secretary is unable to provide the loan proceeds to the applicant within such 15-day period because sufficient funds are not available to the Secretary for such purpose, the Secretary shall provide the loan proceeds to the applicant as soon as practicable (but in no event later than 15 days unless the applicant agrees to a longer period) after sufficient funds for such purpose become available to the Secretary.

(c) In carrying out the approved lender program established by exhibit A to subpart B of part 1980 of title 7, Code of Federal Regulations, the Secretary shall ensure that each request of a lending institution for designation as an approved lender under such program is reviewed, and a decision made on the application, not later than 15 days after the Secretary has received a complete application for such designation.

(d)(1) As soon as practicable after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985, the Secretary

shall take such steps as are necessary to make personnel and other resources of the Department of Agriculture available to the Farmers Home Administration as are sufficient to enable the Farmers Home Administration to expeditiously process loan applications that are submitted by farmers and ranchers.

(2) In carrying out paragraph (1), the Secretary may use any authority of law provided to the Secretary, including—

(A) the Agricultural Credit Insurance Fund established under section 309; and

(B) the employment procedures used in connection with the emergency loan program established under subtitle C.".

SEC. 333B. (a) The Secretary shall provide an applicant for or borrower of a loan, or an applicant for or recipient of a loan guarantee, under this title who has been directly and adversely affected by a decision of the Secretary made under this title (hereafter in this section referred to as the "appellant") with written notice of the decision, an opportunity for an informal meeting, and an opportunity for a hearing with respect to such decision, in accordance with regulations issued by the Secretary consistent with this section.

(b)(1) Not later than 10 days after such adverse decision, the Secretary shall provide the appellant with written notice of the decision, an opportunity for an informal meeting, an opportunity for a hearing, and the procedure to appeal such decision (including any deadlines for filing appeals).

(2) Upon the request of the appellant and in order to provide an opportunity to resolve differences and minimize formal appeals, the Secretary shall hold an informal meeting with the appellant prior to the initiation of any formal appeal of the decision of the Secretary.

(c)(1) An appellant shall have the right to have—

(A) access to the personal file of the appellant maintained by the Secretary, including a reasonable opportunity to inspect and reproduce the file at an office of the Farmers Home Administration located in the area of the appellant; and

(B) representation by an attorney or nonattorney during the inspection and reproduction of files under subparagraph (A) and at any informal meeting or hearing.

(2) The Secretary may charge an appellant for any reasonable costs incurred in reproducing files under paragraph (1)(A).

* * * * * * *

SEC. 335. (a) * * *

(b) [Real] *Except as provided in subsection (e), real* property administered under the provisions of this title may be operated or leased by the Secretary for such period or periods as the Secretary may deem necessary to protect the Government's investment therein.

(c) [The] *Except as provided in subsection (e), the* Secretary may determine whether real property administered under this title is suitable for disposition to persons eligible for assistance under the provisions of any law administered by the Farmers Home Administration. Any property which the Secretary determines to be suitable for such purposes shall, whenever practicable, be sold by the Secretary as expeditiously as possible to such eligible persons in a manner consistent with such provisions hereof. Real property which is not determined suitable for sale to such eligible persons or which has not been purchased by such persons within a period of three years from the date of acquisition, shall be sold by the Secretary after public notice at public sale and, if no acceptable bid is received then by negotiated sale, at the best price obtainable for cash or on secured credit without regard to the laws governing the disposition of excess or surplus property of the United States. The terms of such sale shall require an initial downpayment and the remainder of the sales price payable in installments with interest on unpaid balance at the rate determined by the Secretary, but not in any event at rates and terms more favorable than those legally permissible for eligible borrowers. Any conveyances under this section shall include all of the interest of the United States, including mineral rights.

* * * * * * *

(e)(1) The Secretary shall to the extent practicable sell or lease farmland administered under this title in the following order of priority:

(A) Sale of such farmland to operators (as of the time immediately before such sale) of not larger than family-size farms.

(B) Lease of such farmland to operators (as of the time immediately before such leases are entered into) of not larger than family-size farms.

(2)(A) The Secretary shall consider granting, and may grant, to an operator of not larger than a family-size farm, in conjunction with paragraph (3), a lease with an option to purchase farmland administered under this title.

(B) The Secretary shall issue regulations providing for leasing such land, or leasing such land with an option to purchase, on a fair and equitable basis.

(C) In leasing such land, the Secretary shall give special consideration to a previous owner or operator of such land if such owner or operator has financial resources, and farm management skills and experience, that the Secretary determines are sufficient to assure a reasonable prospect of success in the proposed farming operation.

(3)(A)(i) The Secretary may sell farmland administered under this title through an installment sale or similar device that contains such terms as the Secretary considers necessary to protect the investment of the Federal Government in such land.

(ii) The Secretary may subsequently sell any contract entered into to carry out clause (i).

(B) The Secretary shall offer such land for sale to operators of not larger than family-size farms at a price that reflects the average annual income that may be reasonably anticipated to be generated from farming such land.

(C) If two or more qualified operators of not larger than family-size farms desire to purchase, or lease with an option to purchase, such land, the appropriate county committee shall, by majority vote, select the operator who may purchase such land, on such basis as the Secretary may prescribe by regulation.

(4)(A) If the Secretary determines that farmland administered under this title is not suitable for sale or lease to an operator of not

larger than a family-size farm because such farmland is in a tract or tracts that the Secretary determines to be larger than that necessary for family-size farms, the Secretary shall subdivide such land into tracts suitable for such operator.

(B) The Secretary shall dispose of such subdivided farmland in accordance with this subsection.

(5) If suitable farmland is available for disposition under this subsection, the Secretary shall—

(A) publish an announcement of the availability of such farmland in at least one newspaper that is widely circulated in the county in which the farmland is located; and

(B) post an announcement of the availablity of such farmland in a prominent place in the local office of the Farmers Home Administration that serves the county in which the farmland is located.

(6) In the case of farmland administered under this title that is highly erodible land (as defined in section 1601(a)(8) of the Agriculture, Food, Trade, and Conservation Act of 1985), the Secretary may require the use of specified conservation practices on such land as a condition of the sale or lease of such land.

(f)(1) As used in this subsection, the term "normal income security" has the same meaning given such term in section 1962.17(b) of title 7, Code of Federal Regulations (as of January 1, 1985).

(2) Until such time as the Secretary determines that a loan made or insured under this title should be liquidated, the Secretary shall release from the normal income security provided for such loan an amount sufficient to pay the essential household and farm operating expenses of the borrower, as determined by the Secretary.

* * * * * * *

SEC. 337. (*a*) The Secretary may provide voluntary debt adjustment assistance between farmers and their creditors and may cooperate with State, territorial, and local agencies and committees engaged in such debt adjustment, and may give credit counseling.

(b)(1) As used in this subsection, the term "summary period" means—

(A) the period beginning on the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985 and ending on the date on which the first loan summary statement is issued after such date of enactment; or

(B) the period beginning on the date of issuance of the preceding loan summary statement and ending on the date of issuance of the current loan summary statement.

(2) on the request of a borrower of a loan made or insured (but not guaranteed) under this title, the Secretary shall issue to such borrower a loan summary statement that reflects the account activity during the summary period for each loan made or insured under this title to such borrower, including—

(A) the outstanding amount of principal due on each such loan at the beginning of the summary period;

(B) the interest rate charged on each such loan;

(C) the amount of payments made on and their application to each such loan during the summary period and an explanation of the basis for the application of such payments;

(D) the amount of principal and interest due on each such loan at the end of the summary period;

(E) the total amount of unpaid principal and interest on all such loans at the end of the summary period;

(F) any delinquency in the repayment of any such loan;

(G) a schedule of the amount and date of payments due on each such loan; and

(H) the procedure the borrower may use to obtain more information concerning the status of such loans.

* * * * * * *

SEC. 346. (a) Effective October 1, 1979, the aggregate principal amount of loans under the programs authorized under each subtitle of this title during each three-year period thereafter shall not exceed such amounts as may be authorized by law after the date of enactment of this section. There shall be two amounts so established for each of such programs and for any maximum levels provided in appropriation Acts for the programs authorized under this title, one against which direct and insured loans shall be charged and the other against which guaranteed loans shall be charged, with or without authority for the Secretary to transfer amounts between such categories within a given program for more effective administration.

[(b)(1) Loans for each of the fiscal years 1980, 1981, and 1982 are authorized to be insured, or made to be sold and insured, or guaranteed under the Agricultural Credit Insurance Fund as follows:

[(A) real estate loans, $1,615,000,000, including $1,500,000,000 for farm ownership loans of which $1,400,000,000 may be for insured loans and $100,000,000 may be for guranteed loans with authority to transfer 24 per centum of such amounts between categories, and $100,000,000 for water development, use, and conservation loans of which $90,000,000 may be for insured loans and $10,000,000 may be for guaranteed loans with authority to transfer 25 per centum of such amounts between categories;

[(B) operating loans, $1,200,000,000 of which $1,150,000,000 may be for insured loans and $50,000,000 may be for guaranteed loans with authority to transfer 25 per centum of such amounts between categories; and

[(C) emergency insured and guaranteed loans in amounts necessary to meet the needs resulting from natural disasters. Not more than 75 per centum of the insured loans authorized for farm ownership purposes and not more than 75 per centum of the insured loans authorized for farm operating purposes may be for applicants other than low-income, limited-resource borrowers.

[(2) Loans for each of the fiscal years 1980, 1981, and 1982 are authorized to be insured, or made to be sold and insured, or guranteed under the Rural Development Insurance Fund as follows:

[(A) insured water and sewer facility loans, $1,000,000,000;

[(B) industrial development loans, $1,500,000,000 of which $100,000,000 may be for insured loans and $1,400,000,000 may be for guaranteed loans with authority to transfer amounts between categories; and

[(C) insured community facility loans, $500,000,000.]

(b)(1)(A) For each of the fiscal years ending September 30, 1986, through September 30, 1988, real estate and operating loans may be insured, made to be sold and insured, or guranteed in accordance with subtitles A and B, respectively, from the Agricultural Credit Insurance Fund established under section 309 in an amount equal to $4,000,000,000, of which not less than $520,000,000 shall be for farm ownership loans under subtitle A.

(B) Subject to subparagraph (C), such amount shall be apportioned as follows:

(i) For the fiscal year ending September 30, 1986—

(I) $2,000,000,000 for insured loans, of which not less than $260,000,000 shall be for farm ownership loans; and

(II) $2,000,000,000 for guaranteed loans, of which not less than $260,000,000 shall be for guarantees of farm ownership loans.

(ii) For the fiscal year ending September 30, 1987—

(I) $1,500,000,000 for insured loans, of which not less than $195,000,000 shall be for farm ownership loans; and

(II) $2,500,000,000 for guaranteed loans, of which not less than $325,000,000 shall be for guarantees of farm ownership loans.

(iii) For the fiscal year ending September 30, 1988—

(I) $1,000,000,000 for insured loans, of which not less than $130,000,000 shall be for farm ownership loans; and

(II) $3,000,000,000 for guaranteed loans, of which not less than $390,000,000 shall be for guarantees of farm ownership loans.

(C) For each of the fiscal years referred to in subparagraph (A), the Secretary may transfer not more than 25 percent of the amounts authorized for guaranteed loans to amounts authorized for insured loans.

(D) For each of the fiscal years ending September 30, 1986, through September 30, 1988, emergency loans may be insured, made to be sold and insured, or guaranteed in accordance with subtitle C from the Agricultural Credit Insurance Fund in such amounts as are necessary to meet the needs resulting from natural disasters.

(2)(A) For each of the fiscal years ending September 30, 1986, through September 30, 1988, loans for the production and distribution of ethanol in rural areas may be guaranteed in accordance with section 310B from the Rural Development Insurance Fund established under section 309A in the amount of $150,000,000.

(B) For the fiscal year ending September 30, 1986, water and waste facility loans may be insured, or made to be sold and insured, in accordance with section 306 from the Rural Development Insurance Fund in the amount of $75,000,000.

* * * * * * *

[(d) Notwithstanding any contrary provisions of subsection (b) of this section, for fiscal year 1982, loans are authorized to be insured, or made to be sold and insured, as follows:

[(1) From the Agricultural Credit Insurance Fund—

[(A) insured real estate loans for farm ownership purposes, $700,000,000, and

[(B) insured operating loans, $1,325,000,000.

Not less than 20 per centum of the insured loans authorized for farm ownership purposes and not less than 20 per centum of the insured loans authorized for farm operating purposes shall be for low-income, limited-resource applicants.

[(2) From the Rural Development Insurance Fund—

[(A) insured water and waste disposal loans, $300,000,000, and

[(B) insured community facility loans, $130,000,000.

[(e)**]** *(d)*(1) Notwithstanding any other provision of law, not less than **[**20**]** *25* per centum of the loans for farm ownership purposes under subtitle A of this title, and not less than **[**20**]** *25* per centum of the loans for farm operating purposes under subtitle B of this title, authorized to be insured, or made to be sold and insured, from the Agricultural Credit Insurance Fund during **[**fiscal year 1984**]** *each fiscal year* shall be for low-income, limited-resource borrowers.

(2) The Secretary shall provide notification to farm borrowers under this title, as soon as practicable after the date of enactment of the Emergency Agricultural Credit Act of 1984 and in the normal course of loan making and loan servicing operations, of the provisions of this title relating to low-income, limited-resource borrowers and the procedures by which persons may apply for loans under the low-income, limited-resource borrower program.

* * * * * * *

SEC. 350. (a) The Secretary shall establish and carry out in accordance with this section an interest rate reduction program for loans guaranteed under this title.

(b) Under such program, the Secretary shall enter into a contract with, and make payments to, a legally organized institution to reduce during the term of such contract the interest rate paid by a borrower on a guaranteed loan made by such institution if—

If the borrower—

(A) is unable to obtain sufficient credit elsewhere to finance the actual needs of the borrower at reasonable rates and terms, taking into consideration private and cooperative rates and terms for a loan for a similar purpose and period of time in the community in or near which the borrower resides;

(B) is otherwise unable to make payments on such loan in a timely manner; and

(C) has a total estimated cash income during the 12-month period beginning on the date such contract is entered into (including all farm and nonfarm income) that will equal or exceed the total estimated cash expenses to be incurred by the borrower during such period (including all farm and nonfarm expenses); and

(2) the lender reduces during the term of such contract the annual rate of interest payable on such loan by a minimum percentage specified in such contract.

(c) In return for a contract entered into by a lender under subsection (b) for the reduction of the interest rate paid on a loan, the Secretary shall make payments to the lender in an amount equal to not more than 50 percent of the cost of reducing the annual rate of in-

terest payable on such loan, except that such payments may not exceed the cost of reducing such rate by more than 2 percent.

(d) The term of a contract entered into under this section to reduce the interest rate on a guaranteed loan may not exceed the outstanding term of such loan, or 3 years, whichever is less.

(e)(1) Notwithstanding any other provision of this title, the Agricultural Credit Insurance Fund established under section 309 may be used by the Secretary to carry out this section.

(2) The total amount of funds used by the Secretary to carry out this section may not exceed $490,000,000.

EMERGENCY AGRICULTURAL CREDIT ADJUSTMENT ACT OF 1978

SEC. 201. This title may be cited as the "Emergency Agricultural Credit Adjustment Act of 1978".

* * * * * * *

SEC. 204. (a) The Secretary may guarantee under this title the principal and interest on any loan that is made by a legally organized lending agency, and that otherwise meets the purposes and conditions of this title, except that such guarantee shall not exceed 90 per centum of the principal and interest of the loan.

(b) Loans guaranteed under this title shall bear interest at rates to be agreed upon by the lender and borrower. Loans insured under this title shall bear interest at rates determined by the Secretary taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, plus not to exceed 1 per centum, as determined by the Secretary, and adjusted to the nearest one-eighth of 1 per centum.

(c) Loans insured and guaranteed under this title shall be repayable at such times as the Secretary may determine, taking into account the purpose of, and need for, the loan, but not later than provided for loans for similar purposes under the Consolidated Farm and Rural Development Act: *Provided,* That, if the loan is for a purpose described in subtitle B of such Act, the Secretary may make the loan repayable at the end of a period not exceeding twenty years if the Secretary determines that the need of the applicant justifies a longer repayment period.

(d) No fees or charges shall be assessed by the Secretary for any loan insured or for any guarantee provided under this title.

(e)(1) The Secretary shall permit a borrower of a loan made or insured under this title to make a prospective payment on such loan with proceeds from—

(A) the leasing of oil, gas, or other mineral rights to real property used to secure such loan; or

(B) the sale of oil, gas, or other minerals removed from real property used to secure such loan if—

(i) the value of the rights to such oil, gas, or other minerals has not been used to secure such loan; and

(ii) the security for such loans is otherwise adequate.

(2) Paragraph (1) shall not apply to a borrower of a loan made or insured under this title with respect to which a liquidation or foreclosure proceeding is pending on the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

TITLE XVIII—AGRICULTURAL MARKETING

BEEF RESEARCH AND INFORMATION ACT

AN ACT to enable cattle producers to establish, finance, and carry out a coordinated program of research, producer and consumer information, and promotion to improve, maintain, and develop markets for cattle, beef, and beef products.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be known as the "Beef Research and Information Act".

[LEGISLATIVE FINDINGS AND DECLARATION OF POLICY

[SEC. 2. Beef constitutes one of the basic, natural foods in the diet. It is produced by many individual cattle producers throughout the United States. Cattle, beef, and beef products move in interstate and foreign commerce and those which do not move in such channels of commerce directly burden or affect interstate commerce of cattle, beef, and beef products. The maintenance and expansion of existing markets and the development of new or improved markets and uses are vital to the welfare of cattle producers and those concerned with marketing, using, and processing beef as well as the general economy of the Nation. The production and marketing of cattle, beef, and beef products by numerous individual persons in the cattle and beef industry have prevented the development and carrying out of adequate and coordinated programs of research, information, and promotion necessary for the maintenance of markets and the development of new products of, and markets for cattle, or beef products. Without an effective and coordinated method for assuring cooperative and collective action in providing for and financing such programs, individual cattle producers are unable to provide, obtain, or carry out the research, consumer and producer information, and promotion necessary to maintain and improve markets for cattle, beef, and beef products.

[It has been recognized that it is in the public interest to provide an adequate, steady supply of high quality beef and beef products readily available to the consumers of the Nation. Maintenance of markets and the development of new markets, both domestic and foreign, are essential to the cattle industry if the consumers of beef and beef products are to be assured of an adequate, steady supply of such products at reasonable prices.

[It is therefore declared to be the policy of the Congress and the purpose of this Act that it is essential and in the public interest, through the exercise of the powers provided herein, to authorize and enable the establishment of an orderly procedure for the development and the financing through an adequate assessment of an effective and continuous coordinated program of research, consumer information, producer information, and promotion designed to strengthen the cattle and beef industry's position in the marketplace, and maintain and expand domestic and foreign markets and uses for United States beef. Nothing in this Act shall be construed to mean, or provide for, control of production or otherwise limit the right of individual cattle producers to produce cattle or beef.

[DEFINITIONS

[SEC. 3. As used in this Act—

[(a) The term "Secretary" means the Secretary of Agriculture or any other officer or employee of the Department of Agriculture to whom there has heretofore been delegated, or to whom there may hereafter be delegated, the authority to act in his stead.

[(b) The term "person" means any individual, group of individuals, partnership, corporation, association, cooperative, or any other entity.

[(c) The term "cattle" means live domesticated bovine quadrupeds.

[(d) The term "beef" means the flesh of cattle.

[(e) The term "beef products" means products produced in whole or in part from cattle, exclusive of milk and products made therefrom.

[(f) The term "producer" means any person who owns or acquires ownership of cattle: *Provided*, That a person shall not be considered to be a producer if his only share in the proceeds of a sale of cattle or beef is a sales commission, handling fee, or other service fee.

[(g) The term "producer-buyer" means a producer who buys cattle.

[(h) The term "producer-seller" means a producer who sells cattle.

[(i) The term "United States" means the fifty States of the United States of America and the District of Columbia.

[(j) The term "promotion" means any action to advance the image or desirability of beef and beef products.

[(k) The term "research" means any type of research to advance the desirability, marketability, production, or quality of cattle, beef, and beef products.

[(l) The term "consumer information" means facts, data, and other information that will assist consumers and other persons in making evaluations and decisions regarding the purchasing, preparation, and utilization of beef and beef products.

[(m) The term "producer information" means facts, data, and other information that will assist producers in making decisions that lead to increased efficiency, lower cost of production, a stable supply of cattle, and the development of new markets.

[(n) The term "marketing" means the sale or other disposition of cattle, beef, or beef products, in any channel of commerce.

[(o) The term "commerce" means interstate, foreign, or intrastate commerce.

[(p) The term "transaction" means the transfer of ownership of cattle or beef through a sale, trade, or other means of exchange.

[(q) The term "slaughterer" means any person, specified in the order or the rules and regulations issued thereunder, who slaughters cattle, including cattle of his own production.

[BEEF RESEARCH AND PROMOTION ORDER

[SEC. 4. To effectuate the declared policy of this Act, the Secretary shall, subject to the provisions of this Act, issue and from time to time amend an order applicable to producers and slaughterers. Such an order shall be applicable to all areas in the United States.

[NOTICE AND HEARING

[SEC. 5. Whenever the Secretary has reason to believe that the issuance of an order will tend to effectuate the declared policy of this Act, he shall give due notice and opportunity for hearing upon a proposed order. Such hearing may be requested and proposal for an order submitted by an organization certified pursuant to section 15 of this Act, or by any interested person affected by the provision of this Act, including the Secretary.

[FINDING AND ISSUANCE OF AN ORDER

[SEC. 6. After notice and opportunity for hearing as provided in section 5, the Secretary shall issue an order if he finds, and sets forth in such order, upon the evidence introduced at such hearing, that the issuance of such order and all the terms and conditions thereof will tend to effectuate the declared policy of this Act.

[PERMISSIVE TERMS IN ORDER

[SEC. 7. Any order issued pursuant to this Act shall contain one or more of the following terms and conditions, and except as provided in section 8, no others:

[(a) Providing for the establishment, issuance, effectuation, and administration of appropriate plans or projects for advertising, promotion, producer information, and consumer information with respect to the use of cattle, beef, or beef products and for the disbursement of necessary funds for such purposes: *Provided, however,* That any such plan or project shall be directed toward increasing the general demand for cattle, beef, or beef products. No reference to a private brand or trade name shall be made if the Secretary determines that such reference will result in undue discrimination against the cattle, beef, or beef products of other persons. No such advertising, consumer education, or sales promotion programs shall make use of false or misleading claims in behalf of cattle, beef, or beef products, or false or misleading statements with respect to quality, value, or use of any competing product.

[(b) Providing for, establishing, and carrying on research, market development projects, and studies with respect to sale, distribution, marketing, utilization, or production of cattle, beef, or beef products, and the creation of new products thereof, to the end that the production, marketing, and utilization of cattle, beef, or beef products may be encouraged, expanded, improved, or made more acceptable, and the data collected by such activities may be disseminated, and providing for the disbursement of necessary funds for such purposes.

[(c) Providing that slaughterers shall maintain and make available for the inspection such books and records as may be required by any order or regulations issued pursuant to this Act and for the filing of reports by such persons at the time, in the manner, and having content prescribed by the order or regulations to the end that information and data shall be made available to the Beef

Board and to the Secretary which is appropriate or necessary to the effectuation, administration, or enforcement of the Act, or of any order or regulation issued pursuant to this Act: *Provided, however*, That all information so obtained shall be kept confidential by all officers and employees of the Department of Agriculture and of the Beef Board, and by all officers and employees of contracting agencies having access to such information, and only such information so furnished or acquired as the Secretary deems relevant shall be disclosed by them, and then only in a suit or administrative hearing brought at the direction, or upon the request, of the Secretary, or to which he or any officer of the United States is a party, and involving the order with reference to which the information so to be disclosed was furnished or acquired. Nothing in this section shall be deemed to prohibit (1) the issuance of general statements based upon the report of the numbers of persons subject to an order or statistical data collected therefrom, which statements do not identify the information furnished by any person, (2) the publication of general statements relating to refunds made by the Beef Board during any specific period, which statements do not identify any person to whom refunds are made, or (3) the publication by direction of the Secretary of the name of any person violating any order, together with a statement of the particular provisions of the order violated by such person. Any such officer or employee violating the provision of the subsection shall, upon conviction, be subjected to a fine of not more than $1,000 or to imprisonment for not more than one year, or to both, and if an officer or employee of the Beef Board or the Department of Agriculture, he shall be removed from office.

[(d) Terms and conditions incidental to and not inconsistent with the terms and conditions specified in this Act and necessary to effectuate the other provisions of such order.

[REQUIRED TERMS IN ORDER

[SEC. 8. Any order issued pursuant to this Act shall contain the following terms and conditions;

[(a) Providing for the establishment and appointment, by the Secretary, of a Beef Board which shall consist of not more than sixty-eight members, and alternates therefor, and defining its powers and duties which shall include only the powers (1) to administer such order in accordance with its terms and provisions, (2) to make rules and regulations to effectuate the terms and provisions of such order, (3) to receive, investigate, and report to the Secretary complaints of violations of such order, (4) to recommend to the Secretary amendments to such order. The term of an appointment to the Beef Board shall be for three years with no member serving more than six consecutive years, except that initial appointment shall be proportionately for one, two, and three years: *Provided*, That the Beef Board shall appoint from its members an executive committee, consisting of not less than seven nor more than eleven members who are broadly representative of the industry, with authority to employ a staff and conduct routine business within the policies determined by the Beef Board.

[(b) Providing that the Beef Board, and alternates therefore, shall be composed of cattle producers appointed by the Secretary from nominations submitted by eligible producer organizations, associations, general farm organizations, or cooperatives, within the geographic area, and certified pursuant to section 15, or, if the Secretary determines that substantial number of producers are not members of or their interests are not represented by any such eligible organizations, associations, or cooperatives, from nominations made by such producers in the manner authorized by the Secretary so that the representation of producers on the Board shall reflect, to the extent practicable, the proportion of cattle produced in each geographic area of the United States as defined by the Secretary: *Provided,* That the Beef Board shall from time to time, with the approval of the Secretary, redesignate representation on the Beef Board so as to reflect the proportion of cattle in each geographic area: *Provided, however,* That each such designated geographic area shall be entitled to at least one representative on the Beef Board.

[(c) Providing that the Beef Board shall, subject to the provisions of subsection (g) of this section, develop and submit to the Secretary for his approval any advertising, sales promotion, consumer information, producer information, research, and development plans or projects, and that any such plan or project must be approved by the Secretary before becoming effective.

[(d) Providing that the Beef Board shall, subject to the provisions of subsection (g) of this section, submit to the Secretary for his approval budgets on a fiscal period basis of its anticipated expenses and disbursements in the administration of the order, including probable costs of advertising, promotion, producer information, consumer informaiton, research, and development projects. The Beef Board shall also submit copies of such budgets to the House Committee on Agriculture and the Senate Committee on Agriculture and Forestry.

[(e) Providing, that—

[(1) In each transaction where a producer sells or otherwise transfers ownership of cattle to any other producer, each such producer-seller shall pay to the producer-buyer and each producer-buyer shall collect from the producer-seller an assessment based on the value of the cattle involved in the transaction. Each producer who sells to a slaughterer or otherwise arranges for the slaughter of his cattle shall pay to the slaughterer and the slaughterer shall collect from such producer an assessment based on the value of the cattle involved. The slaughterer shall remit assessment(s) collected to the Beef Board in the manner prescribed by the order or the regulations issued thereunder, including any assessment(s) due at time of slaughter on cattle of his own production. In the event no sales tranaction occurs at the point of slaughter, a fair value shall be attributed to the cattle at the time of slaughter for the purposes of determining the assessment: *Provided,* That the Beef Board may exempt from or vary the assessment on transactions of breeding animals or classes of breeding animals until time of slaughter: *Provided further,* That cattle slaughtered for his own own home consumption by a producer who has been the sole owner of such cattle shall not be subject to assessments provided in this Act: *Provided further,* That the Beef Board may collect directly from any producer any assessments that he collected under the provisions of this Act, which are not passed along in the usual manner due to the loss in value of the cattle.

[(2) The rate of assessment shall be as prescribed by the order except the aggregate rate shall not exceed one-half of 1 percent and shall provide for such expenses and expenditures, including provision for a reasonable reserve, and any referendum and administrative costs incurred by the Secretary under this Act, as the Secretary finds are reasonable and likely to be incurred by the Beef Board under the order during any period specified by him.

[(3) To facilitate the collection of assessments, the Beef Board may specify different procedures for slaughterers, or classes of slaughterers, to recognize differences in marketing practices or procedures utilized in the industry.

[(4) The Secretary may maintain a suit against any person subject to the order for the collection of such assessment and the several district courts of the United States are hereby vested with jurisdiction to entertain such suits regardless of the amount in controversy.

[(f) Providing that the Beef Board shall maintain such books and records and prepare and submit such reports from time to time to the Secretary as he may prescribe, and for appropriate accounting by the Beef Board with respect to the receipt and disbursement of all funds entrusted to it.

[(g) Providing that the Beef Board, with the approval of the Secretary, may enter into contracts or agreements for development and carrying out the activities authorized under the order pursuant to section 7(a) and (b) and for the payment of the cost thereof with funds collected pursuant to the order. Any such contract or agreement shall provide that such contractors shall develop and submit to the Beef Board a plan or project together with a budget or budgets which shall show estimated costs to be incurred for such plan or project, and that any such plan or project shall become effective upon the approval of the Secretary, and further, shall provide that the contracting parties shall keep accurate records of all of their activities and make periodic reports to the Beef Board of activities carried out and an accounting for funds received and expended, and such other reports as the Secretary may require.

[(h) Providing that no funds collected by the Beef House under the order shall in any manner be used for the purpose of influencing governmental policy or action, except as provided by subsection (a)(4) of this section.

[(i) Providing the Beef Board members, and alternatives therefore, shall serve without compensation, but shall be reimbursed for their reasonable expenses incurred in performing their duties as members of the Beef Board.

[REQUIREMENT OF REFERENDUM AND CATTLE PRODUCER APPROVAL

[SEC. 9. The Secretary shall conduct a referendum as soon as practicable among producers who at any time, during a consecutive twelve-month representative period preceding the date of the referendum, as determined by the Secretary, have been engaged in the production of cattle for the purpose of ascertaining whether the issuance of an order is approved or favored by such producers. The Secretary shall establish a procedure whereby all known cattle producers are notified of the referendum and the time and place of balloting and qualified producers may register with the Agriculture Stabilization and Conservation Service in person or by mail to vote in such a referendum during a period ending not less than ten days prior to the date of the referendum. No order issued pursuant to this Act shall be effective unless the Secretary determines (1) that votes were cast by at least 50 per centum of the registered producers, and (2) that the issuance of such order is approved or favored by a majority of the producers voting in such referendum. The Secretary shall be reimbursed from assessments collected by the Beef Board for any expenses incurred for the conduct of the referendum. Eligible voter lists and ballots cast in the referendum shall be retained by the Secretary for a period of not less than twleve months after they are cast for audit and recount in the event the results of the referendum are challenged and either the Secretary or the Courts determine a recount and retabulation of results is appropriate. Prior to the holding of the referendum, sureties shall have posted a bond or other security, acceptable to the Secretary, in an amount which the Secretary shall determine to be sufficient to pay any expenses incurred for the conduct of the referendum. For the purpose of this section, the term "expenses incurred for the conduct of the referendum" shall include all costs incurred by the Government in connection therewith, except for salaries of Government employees.

[SUSPENSION AND TERMINATION OF ORDERS

[SEC. 10. (a) The Secretary shall, whenever, he finds that any order issued under this Act, or any provision(s) thereof, obstructs or does not tend to effectuate the declared policy of this Act, terminate or suspend the operation of such order or such provision(s) thereof.

[(b) The Secretary may conduct a referendum at any time, and shall hold a referendum on request of 10 per centum or more of the number of producers voting in the referendum approving the order, to determine whether such producers favor the termination or suspension of the order, and he shall suspend or terminate such order six months after he determines that suspension or termination of the order is approved or favored by a majority of the producers voting in such referendum who, during a representative period determined by the Secretary, have been engaged in the production of cattle, and who produced more than 50 per centum of the volume of cattle produced by the producers voting in the referendum.

[(c) The termination or suspension of any order, or any provision thereof, shall be considered an order within the meaning of this Act.

[PROVISIONS APPLICABLE TO AMENDMENTS

[SEC. 11. The provisions of this Act applicable to orders shall be applicable to amendments to orders.

[PRODUCER REFUND

[Sec. 12. Notwithstanding any other provisions of this Act, any producer against whose cattle any assessment is made and collected from him under authority of this Act and who is not in favor of supporting the programs as provided for herein shall have the right to demand and receive from the Beef Board a refund of such assessment: *Provided,* That such demand shall be made in accordance with regulations on a form and within a time period prescribed by the Board and approved by the Secretary but in no event more than sixty days after the end of the month in which the sale or slaughter of said cattle, occurred and upon submission of proof satisfactory to the Board that the producer paid the assessment for which refund is sought, and any such refund shall be made within sixty days after demand is received therefor: *Provided, however,* That no producer shall claim or receive a refund of any portion of an assessment which he collected from other producers.

[PETITION AND REVIEW

[SEC. 13. (a) Any person subject to any order may file a written petition with the Secretary, stating that any such order or any provision of such order or any obligation imposed in connection therewith is not in accordance with law and praying for a modification thereof or to be exempted therefrom. He shall thereupon be given an opportunity for a hearing upon such petiton, in accordance with regulations made by the Secretary. After such hearing, the Secretary shall make a ruling upon the prayer of such petition which shall be final, if in accordance with law.

[(d) The district courts of the United States in any distirct in which such person is an inhabitant, or has his principal place of business, are hereby vested with jurisdiction to review such ruling, provided a complaint for that purpose is filed within twenty days from the date of the entry of such ruling. Service of process is such proceedings may be had the Secretary by delivering to him a copy of the complaint. If the court determines that such ruling is not in accordance with law, it shall remand such proceedings to the Secretary with directions either (1) to make such ruling as the court shall determine to be in accordance with the law, or (2) to take such further proceedings as, in its opinion, the law requires. The pendency of proceedings instituted pursuant to subsection (a) of this section shall not impede, hinder, or delay the United States or the Secretary from obtaining relief pursuant to section 14(a) of this Act.

[ENFORCEMENT

[SEC. 14. (a) The several district courts of the United States are vested with jurisdiction specifically to enforce, and to prevent and restrain any person from violating any order or regulation made or issued pursuant to this Act. Any civil action authorized to be brought under this Act shall be referred to the Attorney General for appropriate action: *Provided,* That nothing in this Act shall be construed as requiring the Secretary to refer to the Attorney General minor violations of this Act whenever he believes that the administration and enforcement of the program would be adequately served by suitable written notice or warning to any person committing such violation.

(b) Any person who willfully violates any provision of any order issued by the Secretary under this Act, or who willfully fails or refuses to collect or remit any assessment duly required of him thereunder, shall be liable to a penalty of not more than $1,000 for each such violation which shall accrue to the United States and may be recovered in a civil suit brought by the United States: *Provided,* That subsections (a) and (b) of this section shall be in addition to, and not exclusive of, the remedies provided now or hereafter existing at law or in equity.

[CERTIFICATION OF ORGANIZATIONS

[SEC. 15. The eligibility of any organization to represent producers of any designated geographic area of the United States to request the issuance of an order under section 5, and to participate in the making of nominations under section 8(b) shall be certified by the Secretary. Certification shall be based, in addition to other available information, upon a factual report submitted by the organization which shall contain information deemed relevant and specified by the Secretary for the making of such determination, including, but not limited to, the following:

[(a) geographic territory covered by the organization's active membership,

[(b) nature and size of the organization's active membership, proportion of total of such active membership accounted for by producers of cattle, and the volume of cattle produced by the organization's active membership in each such State,

[(c) the extent to which the cattle producer membership of such organization is represented in setting the orgainzation's policies,

[(d) evidence of stability and permanency of the organizations,

[(e) sources from which the organization's operating funds are derived,

[(f) functions of the organization, and

[(g) the organization's ability and willingness to further the aims and objectives of this Act:

Provided, however, That the primary consideration in determining the eligibility of an organization shall be whether its producer membership consists of a substantial number of producers who produce a substantial volume of cattle subject to the provisions of this Act. The Secretary shall certify any organization which he finds to be eligible under this section and his determination as to eligibility shall be final. Where more than one organization is certified in any geographic area, such organizations may caucus to determine the area's nominations under section 8(b).

[STATE BEEF BOARDS

[Sec. 16. Nothing in tis Act shall be construed to preempt or interfere with the workings of any beef board, beef council, or other beef promotion entity organized and operating within and by authority of any of the several States.

[REGULATIONS

[Sec. 17. The Secretary is authorized to issue regulations with the force and effect of law as many be necessary to carry out the provisions of this Act and the powers vested in him by this Act.

[INVESTIGATIONS: POWER TO SUBPENA AND TAKE OATHS AND AFFIRMATIONS: AID OF COURTS

[Sec. 18. The Secretary may make such investigation as he deems necessary for the effective carrying out of his responsibilities under this Act or to determine whether a producer or slaughterer of cattle or any other person has engaged or is about to engage in any acts or practice which constitute or will constitute a violation of any provisions of this Act, or of any order, or rule or regulation issued under this Act. For the purpose of such investigation, Secretary is empowered to administer oaths and affirmations, subpena witnesses, compel their attendance, take evidence, and require the production of any books, papers, and documents which are relevant to the inquiry. Such attendance of witnesses and the production of any such records may be required from any place in the United States. In case of contumacy by, or refusal to obey a subpena to, any person, including a producer, the Secretary may invoke the aid of any court of the United States within the jurisdiction of which such investigation or proceeding is carried on, or where such person resides or carries on business, in requiring the attendance and testimony or witnesses and the production of books, papers, and documents; and such court may issue an order requiring such person to appear before the Secretary, there to produce records, if so ordered, or to give testimony touching the matter under investigation. Any failure to obey such order of the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district whereof such person is an inhabitant or whatever he may be found.

[SEPARABILITY

[Sec. 19. If any provision of this Act or the application thereof to any person or circumstances is held invalid, the validity of the remainder of the Act and of the application of such provision to other persons and circumstances shall not be affected thereby.

[AUTHORIZATION

[Sec. 29. There is hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated such funds as are necessary to carry out the provisions of this Act. The funds so appropriated shall not be available for payment of the expenses or expenditures of the Beef Board in administering any provisions of any order issued pursuant to the terms of this Act.

[EFFECTIVE DATE

[SEC. 21. This Act shall take effect upon enactment.]

SHORT TITLE

SECTION 1. This Act may be cited as the "Beef Promotion and Research Act".

FINDINGS AND DECLARATION OF POLICY

SEC. 2. (a) Congress finds that—

(1) beef and beef products are basic foods that are a valuable part of the human diet;

(2) the production of beef and beef products plays a significant role in the economy of the States because beef and beef products are—

(A) produced by thousands of beef producers;

(B) prepared by numerous processors; and

(C) consumed by millions of people throughout the United States and foreign countries;

(3) beef and beef products must be available readily and marketed efficiently to ensure that the people of the United States receive adequate nourishment;

(4) the maintenance and expansion of existing markets for beef and beef products are vital to—

(A) the welfare of beef producers and persons concerned with producing, marketing, and using beef and beef products; and

(B) the general economy of the United States;

(5) established State and national organizations conduct beef promotion, research, and consumer education programs that are invaluable to promote the consumption of beef and beef products;

(6) beef and beef products move in interstate and foreign commerce; and

(7) beef and beef products that do not move in such channels of commerce directly burden or affect interstate commerce in beef and beef products.

(b)(1) It is the purpose of this Act to authorize the establishment of an orderly procedure for financing, through adequate assessments, and carrying out a coordinated program of promotion and research designed to—

(A) strengthen the position of the beef industry in the marketplace; and

(B) maintain and expand domestic and foreign markets and uses for beef and beef products.

(2) Nothing in this Act shall be construed to limit the right of an individual producer to raise cattle.

DEFINITIONS

SEC. 3. For purposes of this Act:

(1) The term "beef" means the flesh of cattle.

(2) The term "beef product" means a product produced in whole or in part from beef, other than milk and milk products produced therefrom.

(3) The term "Board" means the Cattlemen's Beef Promotion and Research Board established under section 5.

(4) The term "cattle" means live domesticated bovine animals, regardless of age.

(5) The term "Committee" means the Beef Promotion Operating Committee established under section 6.

(6) The term "consumer information" means nutritional data and other information that will assist consumers and other persons in making evaluations and decisions regarding the purchasing, preparing, and utilization of beef and beef products.

(7) The term "importer" means a person who imports cattle, beef, or edible beef products into the United States.

(8) The term "industry information" means information or programs that will lead to the development of new markets, marketing strategies, increased efficiency, and activities to enhance the image of the cattle industry.

(9) The term "order" means a beef promotion and research order issued under section 4.

(10) The term "person" means an individual, group of individuals, partnership, corporation, association, organization, cooperative, or other entity.

(11) The term "producer" means a person who owns cattle, except that such term shall not include a person if the only share of the person in proceeds derived from the sale of cattle is a sales commission, handling fee, or other service fee.

(12) The term "product research" means studies testing the effectiveness of market development and promotion efforts, studies relating to the nutritional value of beef and beef products, other related food science research, and new product development.

(13) The term "promotion" means an action, including paid advertising, taken to advance the image and desirability of beef and beef products with the intent of improving the competitive position and stimulating sales of beef and beef products in the marketplace.

(14) The term "qualified State beef council" means a beef promotion entity of a State that—

(A) is—

(i) authorized under the laws of such State; or

(ii) organized, operating, and receiving voluntary contributions within such State;

(B) conducts beef promotion, research, and consumer information programs; and

(C) is recognized by the Board as the beef promotion entity within such State.

(15) The term "Secretary" means the Secretary of Agriculture.

(16) The term "State" means each of the 50 states.

(17) The term "United States" means the 50 States and the District of Columbia.

BEEF PROMOTION AND RESEARCH ORDERS

SEC. 4. (a)(1) During the period beginning on the effective date of this section and ending 30 days after receipt of a proposal for an initial order, the Secretary shall—

(A) publish such proposed order; and

(B) give due notice of and opportunity for public comment on such proposed order.

(2) A proposed order may be submitted by any organizaton certified under section 9 or any interested person, including the Secretary.

(b)(1) After notice of and opportunity for public comment are provided in accordance with subsection (a), the Secretary shall issue a beef promotion and research order.

(2) The order shall become effective on a date that is not more than 120 days following the publication of a proposed order submitted under subsection (a).

(c) The order shall contain such terms and conditions as are—

(1) required in sections 5 through 8; or

(2) otherwise necessary to carry out such order, consistent with this Act.

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

SEC. 5. (a) The order shall provide for the establishment of a Cattlemen's Beef Promotion and Research Board.

(b)(1) The Board shall consist of—

(A) producers, as appointed by the Secretary in accordance with this subsection, from nominees submitted by—

(i) organizations certified under section 9; or

(ii) in the case of a State that the Secretary determines does not have such an organization, such State in a manner prescribed by the Secretary; and

(B) importers, as appointed by the Secretary in accordance with this subsection.

(2) For the purpose of determining the membership of and representation on the Board, units shall be allocated as follows:

(A) Each State that has a total inventory of 500,000 or more cattle shall constitute a separate unit.

(B) States that have a total inventory of less than 500,000 cattle per State shall be grouped, as far as practicable, into geographically contiguous units each of which has a combined total inventory of not less than 500,000 cattle, in a manner prescribed in the order.

(C) Importers shall constitute a single unit.

(3)(A) The number of members appointed to the Board to represent each unit shall equal at least one member, plus one additional member for each 1 million head of cattle in excess of 500,000.

(B) The number of members appointed to the Board to represent importers shall be determined by converting the volume of imported beef and beef products into a equivalent number of live animals.

(4)(A) The Board may recommend to the Secretary a change in the number of cattle per unit necessary for representation on the Board.

(B) On receipt of such recommendation, the Secretary may modify such number.

(c) A member of the Board shall serve for a 3-year term, with no member serving more than two consecutive terms, except that initial appointments to the Board shall be staggered with an equal number of members appointed, to the maximum extent possible, to 1-year, 2-year, and 3-year terms.

(d) A member of the Board shall serve without compensation, but shall be reimbursed from assessments collected by the Board for reasonable expenses incurred in performing duties as a member of the Board or the Committee.

(e)(1) The Board shall—

(A) administer the order in accordance with the terms and conditions of the order;

(B) issue such regulations as are necessary to carry out the order;

(C) elect members of the Board to serve on the Committee;

(D) approve or disapprove budgets submitted by the Committee;

(E) receive, investigate, and report to the Secretary on complaints of violations of the order; and

(F) recommend to the Secretary any necessary amendments to the order.

(2) The Board shall meet annually to carry out this subsection.

(3) The order shall define—

(A) the powers and duties of the Board, consistent with this subsection; and

(B) the circumstances under which special meetings of the Board may be held.

BEEF PROMOTION OPERATING COMMITTEE

SEC. 6. (a) The order shall provide for the establishment of a Beef Promotion Operating Committee.

(b) The Committee shall consist of—

(1) 10 members of the Board, elected by the Board; and

(2) 10 producers who are directors of qualified State beef councils, elected by a federation that includes as members the qualified State beef councils.

(c) A member of the Committee shall serve for a 1-year term, with no member serving more than six consecutive terms.

(d) A member of the Committee shall serve without compensation, but shall be reimbursed from assessments collected by the Board for reasonable expenses incurred in performing duties as a member of the Committee.

(e)(1) The Committee shall develop plans or projects for promotion, advertising, research, consumer information, and industry information, which shall be paid for with assessment collected by the Board.

(2)(A) The Committee shall develop and submit to the Board, for the approval of the Board, a budget for each fiscal year of anticipated expenses and disbursements of the Committee, including the projected cost of all plans and projects for promotion, advertising, research, consumer information, and industry information.

(B) The Board shall—

(i) approve or disapprove a budget for each fiscal year; and

(ii) if approved, submit such budget to the Secretary for the approval of the Secretary.

(3) No plan, project, or budget referred to in paragraph (1) or (2) may become effective unless approved by the Secretary.

(4)(A) To the maximum extent possible, the Committee shall utilize the resources, staffs, and facilities of the Board and industry organizations.

(B) An employee of an industry organization may not receive compensation for work performed for the Committee, but shall be reimbursed from assessments collected by the Board for reasonable expenses incurred in performing such work.

(5)(A) The Committee shall enter into contracts or agreements with established national nonprofit industry-governed organizations, including the federation referred to in subsection (b)(2), to implement plans and projects for promotion, advertising, research, consumer information, and industry information.

(B) Such contract or agreement shall require that—

(i) the contracting party develop and submit to the Committee a plan or project, together with a budget or budgets that include the estimated cost to be incurred for such plan or project;

(ii) such plan or project become effective on the approval of the Secretary; and

(iii) the contracting party—

(I) keep accurate records of all relevant transactions of the party;

(II) make periodic reports to the Committee of—

(aa) relevant activities the party has conducted; and

(bb) an accounting for funds received and expended under such contract; and

(III) make such other reports as the Secretary, Board, or Committee may require.

(f) The Committee and the Board shall—

(1) maintain, and make available to the Secretary for inspection and audit, such books and records as the Secretary may require;

(2) prepare and submit to the Secretary, from time to time, such reports as the Secretary may require; and

(3) account for the receipt and disbursement of all funds entrusted to the Committee or the Board, as the case may be.

ASSESSMENTS

SEC. 7. (a)(1) In the manner prescribed in the order, the order shall provide that an assessment shall be remitted to the Board by—

(A) each person making payment to a producer for cattle purchased from the producer;

(B) each person marketing beef directly from cattle produced by such person; and

(C) each importer of cattle, beef, or edible beef products.

(2) The Board shall use qualified State beef councils to collect assessments due under this Act.

(b)(1) The rate of assessment prescribed by such order shall be—

(A) $1 per head of cattle; or

(B) in the case of imported beef and edible beef products, the equivalent thereof, as determined by the Secretary.

(2) If a producer establishes to the satisfaction of the Secretary that such producer is participating in a program of an established qualified State beef council, the producer shall receive credit in determining the amount of the assessment due from such producer for contributions to such program of up to 50 cents per head of cattle or the equivalent thereof.

(3) For purposes of paragraph (2), there may be only one qualified State beef council in each State.

(c)(1) Assessments collected under this section shall be used for—

(A) the payment of expenses incurred in administering the order, including administrative costs incurred by the Secretary after an order has been issued under this Act; and

(B) the maintenance of a reasonable reserve.

(2) The total costs incurred by the Board in collecting assessments and employing staff in each fiscal year may not exceed 5 percent of the total assessments collected by the Board for such fiscal year.

(3) No funds collected through assessments under the order may, in any manner, be used for the purpose of influencing governmental action or policy, other than to recommend amendments to the order.

(d) The Board, with the approval of the Secretary, may invest funds collected through assessments authorized under this Act, pending disbursement for a plan or project, only in—

(1) an obligation of the United States;

(2) a general obligation of a State or political subdivision thereof;

(3) an interest-bearing account or certificate of deposit of a bank that is a member of the Federal Reserve System; or

(4) an obligation fully guaranteed as to principal and interest by the United States.

INFORMATION

Sec. 8. (a) The order shall require that each person making payment to a producer for cattle purchased from the producer, each person marketing beef directly from cattle produced by such person, and each importer of cattle, beef, or edible beef products—

(1) maintain and make available for inspection such books and records as may be required by the order; and

(2) file reports at the time, in the manner, and having the content prescribed by the order.

(b)(1) Information referred to in subsection (a) shall be made available to the Secretary to carry out this Act.

(2) In addition, the Secretary may use any information concerning payments to producers for cattle that is obtained under any other law to carry out this Act.

(c)(1) Except as provided in paragraphs (2) and (3), information obtained under subsection (a) shall be kept confidential by officers and employees of the Department of Agriculture.

(2) Such information may be disclosed only—

(A) in a suit or administrative hearing involving the order with respect to which the information was furnished or acquired—

(i) brought at the direction or on the request of the Secretary; or

(ii) to which the Secretary or an officer of the United States is a party; and

(B) if the Secretary considers such information to be relevant to such suit or hearing.

(3) Nothing in this subsection prohibits—

(A) the issuance of a general statement, based on the reports of a number of persons subject to an order, or statistical data collected therefrom, if such statement or data does not identify the information furnished by any person; or

(B) the publication, by direction of the Secretary, of the name of any person violating an order, together with a statement of the particular provisions of the order violated by such person.

(4) Information obtained under this Act may be made available to an agency or officer of the United States only in connection with an action necessary to investigate compliance with, enforce, or otherwise carry out this Act.

(d) A person who willfully violates this section shall, on conviction, be—

(1) subject to a fine of not more than $1,000 or imprisoned for not more than 1 year, or both; and

(2) if such person is an officer or employee of the Department of Agriculture or Board, removed from office.

CERTIFICATION OF ORGANIZATION

Sec. 9. (a) The Secretary shall certify the eligibility of an organization to nominate producers from a State to serve on the Board under section 5(b)(1).

(b) A cattle association or general farm organization of a State or unit shall be eligible for certification under subsection (a) if the Secretary determines that such association or organization—

(1) has a total paid membership that—

(A) comprises at least a majority of cattle producers in such State or unit; or

(B) represents at least such majority;

(2) represents a substantial number of producers that produce a substantial number of cattle in such State or unti;

(3) has a history of stability and permanency; and

(4) has a primary or overriding purpose of promoting the economic welfare of cattle producers.

(c) The Secretary shall base the certification of such association or organization on a factual report submitted by such association or organization.

(d) If more than one State organization is certified in a State or unit, such organizations may meet to nominate producers from such State or unit to serve on the Board under section 5(b)(1).

(e) The certification of an organization under this section shall be final.

REFERENDUM

Sec. 10. (a)(1) For the purpose of determining whether the initial order shall be continued, not later than 2 years after the issuance of *the order (or any earlier date recommended by the Board), the Secretary shall conduct a referendum among persons who have been producers or importers during a representative period, as determined by the Secretary.*

(2) An order shall be continued only if the Secretary determines that the order has been approved by not less than a majority of the producers and importers voting in the referendum.

(3) If the continuation of an order is not approved by a majority of the producers and importers voting in the referendum, the Secretary shall terminate—

(A) collection of assessments under the order not later than 6 months after the date of such determination; and

(B) the order in an orderly manner as soon as practicable after such determination.

(b) The Secretary shall be reimbursed from assessments collected by the Board for any expenses incurred in connection with a referendum conducted under this Act, other than expenses for salaries of employees of the Federal Government.

(c)(1) A referendum under this Act shall be conducted on a date determined by the Secretary.

(2) On such date, producers and importers shall be given an opportunity to—

(A) establish their eligibility to vote in such referendum; and

(B) vote in such referendum.

(3) Such referendum shall be conducted at county extension offices.

(4) On the request of a producer or importer, the Secretary shall permit such producer or importer by mail to establish eligibility for and vote in such referendum.

SUSPENSION AND TERMINATION OF ORDERS

Sec. 11. (a)(1) After the initial referendum is conducted under section 10, on the request of a representative group of at least 10 percent of persons who have been producers or importers during a representative period, as determined by the Secretary, the Secretary shall conduct a referendum among persons who have been producers or importers during a representative period, as determined by the Secretary, to determine whether such producers and importers favor the termination or suspension of the order.

(2) An order shall be continued only if the Secretary determines that the order has been approved by not less than a majority of the producers and importers voting in the referendum.

(3) If the continuation of an order is not approved by a majority of the producers and importers voting in the referendum, the Secretary shall terminate—

(A) collection of assessments under the order not later than 6 months after the date of such determination; and

(B) the order in an orderly manner as soon as practicable after such determination.

(4) Such referendum shall be conducted in accordance with section 10 (b) and (c).

(b) If the Secretary finds that an order, or a provision thereof, obstructs or does not tend to effectuate the declared policy of this Act,

the Secreatry shall terminate or suspend the operation of such order or provision.

ENFORCEMENT

SEC. 12. (a) If the Secretary believes that the administration and enforcement of this Act or an order would be adequately served by such procedure, following an opportunity for an administrative hearing on the record, the Secretary may—

(1) issue an order to restrain or prevent a person from violating an order; and

(2) assess a civil penalty of not more than $5,000 for violation of such order.

(b) The district courts of the United States are vested with jurisdiction specifically to enforce, and to prevent and restrain a person from violating, an order or regulation made or issued under this Act.

(c) A civil action authorized to be brought under this section shall be referred to the Attorney General for appropriate action.

INVESTIGATIONS

SEC. 13. (a) The Secretary may make such investigations as the Secretary considers necessary—

(1) for the effective administration of this Act; or

(2) to determine whether a person subject to this Act has engaged, or is about to engage, in an act that constitutes, or will constitute, a violation of this Act or an order, rule, or regulation issued under this Act.

(b)(1) For the purpose of such investigation, the Secretary may administer oaths and affirmations subpoena witnesses, compel their attendance, take evidence, and require the production of any records that are relevant to the inquiry.

(2) Such attendance of witnesses and the production of such records may be required from any place in the United States.

(c)(1) In case of contumacy, or refusal to obey a subpoena, by any person, the Secretary may invoke the aid of a court of the United States with jurisdiction over such investigation or proceeding, or where such person resides or does business, in requiring the attendance and testimony of such person and the production of such records.

(2) The court may issue an order requiring such person to appear before the Secretary to produce records or to give testimony regarding the matter under investigation.

(3) A failure to obey an order issued under this section by the court may be punished by such court as a contempt thereof.

(4) Process in such case may be served in the judicial district in which such person is an inhabitant or wherever such person may be found.

PREEMPTION

SEC. 14. Nothing in this Act may be construed to preempt or supersede any other program relating to beef promotion organized and operated under the laws of the United States or any State.

AUTHORIZATION FOR APPROPRIATIONS

SEC. 15. (a) There are authorized to be appropriated such sums as may be necessary for the Secretary to carry out this Act.

(b) Sums appropriated to carry out this Act shall not be available for payment of an expenses or expenditure incurred by the Board or the Committee in administering an order.

EFFECTIVE DATE

SEC. 1831. The amendment made by this subtitle shall become effective on January 1, 1986.

TITLE XIX—GENERAL PROVISIONS

SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT

AN ACT To provide for the protection of land resources against soil erosion, and for other purposes

* * * * * * *

AUTHORITY OF THE SECRETARY TO MAKE PAYMENTS OR GRANTS OF AID DIRECTLY TO FARMERS

SEC. 8. * * *

(b) The Secretary is authorized to carry out the policy and purposes specified in section 7(a) of this Act by providing financial assistance to agricultural producers for carrying out enduring conservation (including energy conservation) and environmental enhancement measures. Eligibility for financial assistance shall be based upon the existence of a conservation or environmental problem which reduces the productive capacity of the Nation's land and water resources or causes degradation of environmental quality.

The amount of financial assistance to be provided shall be that portion of the cost of installing conservation and environmental enhancement measures which the Secretary determines is necessary. In determining the level of payment, consideration will be given to (A) the amount of expected conservation or environmental benefit accruing to society, (B) the total cost of carrying out the needed measures, (C) the degree to which appropriate conservation or pollution abatement practices will be applied in the absence of financial assistance, and (D) in order to avoid duplication of assistance, the degree to which the agricultural producer benefits from other public programs for conservation and environmental enhancement.

The Secretary may provide financial assistance to agricultural producers for the purpose of encouraging energy conservation by sharing the costs of and providing technical assistance for (1) the establishment, restoration, and better use of shelter belts to conserve energy on farmsteads and feed lots, (2) the establishment and use of minimum tillage systems, (3) the efficient storage and application of manure and other suitable wastes to the land for land fertility and soil improvement, (4) the use of integrated pest management, (5) the use of energy-efficient irrigation water management, and (6) such other land, water, and related resource management practices as the Secretary may determine to have significant energy-conserving effects.

The Secretary, in formulating the national program, shall take into consideration (A) the need to control erosion and sedimentation from agricultural land and to conserve the water resources on such land, (B) the need to control pollution from animal wastes, (C) the need to facilitate sound resources management systems through soil and water conservation, (D) the need to encourage voluntary compliance by agricultural producers with Federal and State requirements to solve point and nonpoint sources of pollution, (E) national priorities reflected in the National Environmental Policy Act of 1969 and other congressional and administrative actions, (F) the degree to which the measures contribute to the national objective of assuring a continuous supply of food and fiber necessary for the maintenance of a strong and healthy people and economy, and (G) the type of conservation measures needed to improve water quality in rural America.

In carrying out the provisions of this section in the States of the Union, except Alaska, *and as otherwise directed by law with respect to other programs and functions,* the Secretary is directed to utilize the services of local and State committees selected as hereinafter provided; *and the Secretary may use the services of such committees in carrying out other programs and functions of the Department of Agriculture.* The Secretary shall designate local administrative areas as units for administration of programs under this section. No such local area shall include more than one county or parts of different counties. *The county committee for a county, by majority vote, may petition the Secretary to change the number of local areas in the county. On such petition, the Secretary shall change the number of such areas, except that such change may not result in the number of local areas in a county exceeding the number of such areas in the county on December 31, 1980.* Farmers within any such local administrative area, and participating or cooperating in programs administered within such area, shall elect **[**annually**]** from among their number a local committee of not more than three members for such area. *Each member of a local committee shall be elected for a term of 3 years. Each local committee shall meet (1) once each year, and (2) at the direction of the county committee and with the approval of the State committee, such additional times during the year as may be necessary to carry out this section. Notwithstanding section 388 of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1388), the Secretary may not provide compensation or payments to a member of a local committee under such section for work performed at, or travel expenses incurred in attending, more than four meetings of such committee in any year. The meetings of a local committee shall be held on different days of the year.* The members of the local committees shall, in a county convention, nominate and elect a county committee which shall consist of three members who are farmers in the county. At the first county convention held on or after the effective date of this sentence, one member of the county committee shall be elected for one year; one member shall be elected for two years; and one member shall be elected for three years. Thereafter, each member of a county committee shall be elected for a term of three years. No member of the county committee shall be elected for more than three consecutive terms (exclusive of any term which began prior to the effective date of this sentence). *The local committees in each county shall (A) in a county in which there is more than one local committee, serve as advisors and consultants to the county committee; (B) periodically meet with the county committee and State committee to be informed on farm program issues; (C) communicate with producers within their communities on issues or concerns regarding farm programs; (D) report to the county committee, the State committee, and other interested persons on changes to, or modifications of, farm programs recommended by producers in their communities; and (E) perform such other functions as are required by law or as the Secretary may specify. The Secretary shall ensure that information concerning changes in Federal laws in effect with respect to agricultural programs and the administration of such laws are communicated in a timely manner to local committees in areas that contain agricultural producers who might be affected by such changes.* The local committee shall select a secretary and may utilize the county agricultural extension agent for such purpose. The county committee shall select a secretary who may be the county agricultural extension agent. If such county agricultural extension agent shall not have been elected secretary of such committee, he shall be ex officio a member of the county committee. The county agricultural extension agent shall not have the power to vote. In any county in which there is only one local committee the local committee shall also be the county committee. In each State there shall be a State committee for the State composed of not less than three or more than five farmers who are legal residents of the State and who are appointed by the Secretary. The State director of the Agricultural Extension Service shall be ex officio a member of such State committee. The ex officio members of the county and State committees shall be in addition to the number of members of such committee, hereinbefore specified. The Secretary shall make such regulations as are necessary relating to the selection and exercise of the functions of the respective committees, and to the administration, through such committees, of such programs. In carrying out the provisions of this section, the Secretary shall, as far as practicable, protect the interests of tenants and sharecroppers; is authorized to utilize the agricultural extension service and other approved agencies; shall accord such recognition and encouragement to producer-owned and producer-controlled cooperative associations as will be in harmony with the policy toward cooperative associations set forth in existing Acts of Congress and as will tend to promote efficient methods of marketing and distribution; shall not have power to acquire any land or any right of interest therein; shall, in every practicable manner, protect the interests of small producers; and shall in every practical way encourage and provide for soil-conserving and soil-rebuilding practices rather than the growing of soil-depleting crops. Rules and regulations governing payments or grants under this subsection shall be as simple and direct as possible, and, wherever practicable, they shall be classified on two bases: (a) Soil-depleting crop and practices, (b) soil-building crops and practices.

Notwithstanding any other provision of law, in making available conservation materials consisting of seeds, seed inoculants, fertilizers, liming and other soil-conditioning materials, trees, or plants, or in making available soil-conserving or soil-building services or pollution prevention or abatement aids, to agricultural producers under this subsection, the Secretary may make payments in advance of determination of performance by the producers, to persons who fill purchase orders covering approved conservation materials or covering soil-conserving or soil-building services or pollution prevention or abatement aids, furnished to producers, or who render services to the Secretary in delivering to producers approved conservation materials, for the carrying out, by the producers, of soil-building or soil-conserving practices or pollution prevention or abatement practices approved by the Secretary. The price at which purchase orders for any conservation materials or services are filled may be limited to a fair price fixed in accordance with regulations prescribed by the Secretary.

Appropriations are hereby authorized for the purchase in advance of the program year for which the appropriation is made of seeds, fertilizers, lime, trees, or any other farming materials or any soil-terracing services, and making grants thereof to agricultural producers to aid them in carrying out farming practices approved by the Secretary in programs under this Act; for the reimbursement of any Federal, State, or local government agency for fertilizers, seeds, lime, trees, or other farming materials, or any soil-terracing services, furnished by such agency; and for the payment of all expenses necessary in making such grants, including all or part of the costs incident to the delivery thereof.

In carrying out the purposes of subsection (a) of section 7, the Secretary may enter into agreements with agricultural producers for periods not to exceed ten years, on such terms and conditions as the Secretary deems desirable, creating obligations in advance of appropriations not to exceed such amounts as may be specified in annual appropriation Acts. Such agreements (i) shall be based on conservation plans approved by the soil and water conservation district or districts in which the lands described in the agreements are situated, and (ii) may be modified or terminated by mutual consent if the Secretary determines such action would be in the public interest. The Secretary also may terminate agreements if he determines such action to be in the national interest and provides public notice in ample time to give producers a reasonable opportunity to make arrangements for appropriate changes in the use of their land.

* * * * * * *

AGRICULTURAL ADJUSTMENT ACT OF 1938

AN ACT to provide for the conservation of national soil resources and to provide an adequate and balanced flow of agricultural commodities in interstate and foreign commerce and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Adjustment Act of 1938."

* * * * * * *

UTILIZATION OF LOCAL AGENCIES

SEC. 388. (a) The provisions of section 8(b) and section 11 of the Soil Conservation and Domestic Allotment Act, as amended, relating to the utilization of State, county, local committees, the extension service, and other approved agencies, and to recognition and encouragement of cooperative associations, shall apply in the administration of this Act; and the Secretary shall, for such purposes, utilize the same local, county, and State committees as are utilized under sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, as amended. The local administrative areas designated under section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended, for the administration of programs under that Act, and the local administrative areas designated for the administration of this Act shall be the same.

(b)*(1)* The Secretary is authorized and directed, from any funds made available for the purposes of the Acts in connection with which county committees are utilized, to make payments to county committees of farmers to cover the estimated administrative expenses incurred or to be incurred by them in cooperating in carrying out the provisions of such Acts. All or part of such estimated administrative expenses of any such committee may be deducted pro rata from the Soil Conservation Act payments, parity payments, or loans, or other payments under such Acts, made unless payment of such expenses is otherwise provided by law. The Secretary may make such payments to such committees in advance of determination of performance by farmers.

(2)(A) The Secretary shall provide compensation to members of such county committees, and to members of local committees of farmers within a county, for work actually performed by such persons in cooperating in carrying out the Acts in connection with which such committees are used.

(B) The rate of compensation received by such persons for such work on the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985 shall be increased by 10 percent.

(c)(1) The Secretary shall make payments to members of local, county, and State committees to cover expenses for travel incurred by such persons (including, in the case of a member of a local or county committee, travel between the home of such member and the local county office of the Agricultural Stabilization and Conservation Service) in cooperating in carrying out the Acts in connection with which such committees are used.

(2) Such travel expenses shall be paid in the manner authorized under section 5703 of title 5, United States Code, for the payment of expenses and allowances for individuals employed intermittently in the Federal Government service.

* * * * * * *

FEDERAL INSECTICIDE, FUNGICIDE, AND RODENTICIDE ACT

AN ACT To regulate the marketing of economic poisons and devices, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE

SECTION 1. This Act may be cited as the "Federal Insecticide, Fungicide, and Rodenticide Act".

* * * * * * *

[SEC. 31. AUTHORIZATION OF APPROPRIATIONS

[There is authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act for each of the fiscal years ending June 30, 1973, June 30, 1974, and June 30, 1975. The amounts authorized to be appropriated for any fiscal year ending after June 30, 1975, shall be the sums hereafter provided by law. There is hereby authorized to be appropriated to carry out the provisions of this Act for the period beginning July 1, 1975, and ending September 30, 1975, the sum of $11,967,000. There is hereby authorized to be appropriated to carry out the provisions of this Act for the period beginning October 1, 1975, and ending November 15, 1975, the sum of $5,983,500. There are hereby authorized to be appropriated to carry out the provisions of this Act for the period beginning October 1, 1975, and ending September 30, 1976, the sum of $47,868,000, and for the period beginning October 1, 1976, and ending September 30, 1977, the sum of $46,636,000, and for the period beginning October 1, 1977, and ending September 30, 1978, the sum of $54,500,000, and for the period beginning October 1, 1978, and ending September 30, 1979, such sums as may be necessary, but not in excess of $70,000,000. There are hereby authorized to be appropriated to carry out the provisions of this Act for the period beginning October 1, 1979, and ending September 30, 1980, such sums as may be necessary, but not in excess of $72,160,000, and for the period beginning October 1, 1980, and ending September 30, 1981, such sums as may be necessary, but not in excess of $77,500,00. There are thereby authorized to be appropriated to carry out the provisions of this Act for the period beginning October 1, 1983, and ending September 30, 1984, such sums as may be necessary, but not in excess of $64,200,000.]

SEC. 31. AUTHORIZATION FOR APPROPRIATIONS

There are authorized to be appropriated to carry out this Act for the period beginning October 1, 1985, and ending September 30, 1986, $57,067,300, and for the period beginning October 1, 1986, and ending September 30, 1987, such sums as may be necessary.

CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

* * * * * * *

RURAL INDUSTRIALIZATION ASSISTANCE

SEC. 310B. (a) * * *

(f)(1) As used in this subsection, the term "nonprofit institution" means an organization or institution, including an accredited institution of higher education, no part of the net earnings of which inures, or may lawfully inure, to the benefit of a private shareholder or individual.

(2) The Secretary may make grants under this subsection to nonprofit institutions for the purpose of enabling such institutions to establish and operate centers of rural technology development.

(3) a nonprofit institution seeking a grant under this subsection shall submit to the Secretary an application containing a plan for the establishment and operation by such institution of a center for rural technology development.

(4) The Secretary may approve such application if such plan contains the following:

(A) A provision that such center be located in a rural area of a State.

(B) A provision that the primary objective of such center be to improve the economic conditions of rural areas by promoting the development (through technological innovation and adaptation of existing technology) and commercialization of—

(i) new products that can be produced in rural areas; and

(ii) new processes that can be utilized in the production and products in rural areas.

(C) A description of the activities that such center will carry out to accomplish such objective. Such activities may include the following:

(i) Programs for technology research, investigations, and basic feasiblity studies in any field or discipline for the purpose of generating principles, facts, technical knowledge, new technology, and other information that may be useful to rural industries, agribusinesses, and other persons in rural areas in the development and commercialization of new products and processes.

(ii) Programs for the collection, interpretation, and dissemination of existing principles, facts, technical knowlege, new technology, and other information that may be useful to rural industries, agribusinesses, and other persons in rural areas in the development and commercialization of new products and processes.

(iii) Programs to provide training and instruction for individuals residing in rural areas with respect to the development (through technological innovation and adaptation of existing technology) and commercialization of new products and processes.

(iv) Programs to provide loans and grants to individuals and small businesses in rural areas for purposes of generating, evaluating, developing, and commercializing new products and processes.

(v) Programs to provide technical assistance and advisory services to individuals, small businesses, and industries in

rural areas for purposes of developing and commercializing new products and processes.

(D) A description of the contributions that activities of the center are likely to make to the improvement of economic conditions of the rural area in which such center is to be located.

(E) A provision that such center, in carrying out such activities, seek, where appropriate, the advice, participation, expertise, and assistance of representatives of business, industry, educational institutions, the Federal Government, and State and local governments.

(F) A provision that such center—

(i) consult with any college or university administering any program under title V of the Rural Development Act of 1972 (7 U.S.C. 2661 et seq.) in the State in which such center is located; and

(ii) cooperate with such college or university in the coordination of such activities and such program.

(G) A provision that such center take all practicable steps to develop continuing sources of financial support for such center, particularly from sources in the private sector.

(H) A provision for—

(i) the monitoring and evaluation of such activities by the institution operating such center; and

(ii) the accounting of money received by such institution under this subsection.

(5) Grants made under paragraph (2) shall be made on a competitive basis.

(6) In making such grants, the Secretary shall give preference to grant applications that provide for the establishment of centers for rural technology development that—

(A) will be located in rural areas that have—

(i) few rural industries and agribusinesses;

(ii) high levels of unemployment;

(iii) high rates of migration of people, businesses, and industries; and

(iv) low levels of per capita income; and

(B) will contribute the most to the improvement of economic conditions of rural areas.

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AGRICULTURE AND FOOD ACT OF 1981

* * * * * * *

[USER FEES FOR REPORTS AND PUBLICATIONS

[SEC. 1121. The Secretary of Agriculture may furnish upon request copies of pamphlets, reports, or other publications prepared in the Department of Agriculture in carrying out agricultural economic research and statistical reporting functions authorized by law, and charge such fees therefor as the Secretary may determine to be reasonable. *Provided,* That the imposition of such charges shall be consistent with the provision of title V of the Act of August 31, 1951 (31 U.S.C. 483a), except that all moneys received in payment for work or services performed or for documents, reports, or other publications provided shall be deposited in a separate account or accounts to be available until expended and may be used to pay directly the costs of such work, services, documents, reports, or publications, and to repay or make advances to appropriations or funds which do or will initially bear all or part of such costs.]

USER FEES FOR REPORTS, PUBLICATIONS, AND SOFTWARE

SEC. 1121. (a) The Secretary of Agriculture may—

(1) furnish, on request, copies of software programs, pamphlets, reports, or other publications, regardless of their form, including electronic publications, prepared in the Department of Agriculture in carrying out any of its missions or programs; and

(2) charge such fees therefor as the Secretary determines are reasonble.

(b) The imposition of such charges shall be consistent with section 9701 of title 31, United States Code.

(c) All moneys received in payment for work or services performed, or for software programs, pamphlets, reports, or other publications provided, under this section—

(1) shall be available until expended to pay directly the costs of such work, services, software programs, pamphlets, reports, or publications; and

(2)may be credited to appropriations or funds that incur such costs.

* * * * * * *

CHAP. 145.—An Act Making appropriations for the Department of Agriculture for the fiscal year ending June thirtieth, nineteen hundred and fourteen.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums be and they are hereby, appropriated, out of any money in the Treasury of the United States not otherwise appropriated, in full compensation for the fiscal year ending June thirtieth, nineteen hundred and fourteen, for the purposes and objects hereinafter expressed, namely:

* * * * * * *

BUREAU OF ANIMAL INDUSTRY

* * * * * * *

That from and after July first, nineteen hundred and thirteen, it shall be unlawful for any person, firm, or corporation to prepare, sell, barter, or exchange in the District of Columbia, or in the Territories or in any place under the jurisdiction of the United States, or to ship, or deliver for shipment [from one State or Territory or the District of Columbia to any other State or Territory or the District of Columbia] *in or from the United States, the District of Columbia, any territory of the United States, or any place under the jurisdiction of the United States,* any worthless, contaminated, dangerous, or harmful virus, serum, toxin, or analogous product intended for use in the treatment of domestic animals, and no person, firm, or corporation shall prepare, sell, barter, exchange, or ship as aforesaid any virus, serum, toxin, or analogous product manufactured within the Untied States and intended for use in the treatment of domestic animals, unless and until the said virus, serum, toxin, or analogous product shall have been prepared, under and in compliance with regulations prescribed by the Secretary of Agriculture, at an establishment holding an unsuspended and unrevoked license issued by the Secretary of Agriculture as hereinafter authorized. That the importation into the United States, without a permit from the Secretary of Agriculture, of any virus, serum, toxin, or analogous product for use in the treatment of domestic animals, and the importation of any worthless, contaminated, dangerous, or harmful virus, serum, toxin, or analogous product for use in the treatment of domestic animals, are hereby prohibited. The Secretary of Agriculture is hereby authorized to cause the Bureau of Animal Industry to examine and inspect all viruses, serums, toxins, and analogous products, for use in the treatment of domestic animals, which are being imported or offered for importation into the United States, to determine whether such viruses, serums, toxins, and analogous products are worthless, contaminated, dangerous, or harmful, and if it shall appear that any such virus, serum, toxin, or analogous product, for use in the treatment of domestic animals, is worthless, contaminated, dangerous, or harmful, the same shall be denied entery and shall be destroyed or returned at the expense of the owner or importer. That the Secretary of Agriculture be, and hereby is, authorized to make and promulgate from time to time such rules and regulations as may be necessary to prevent the preparation, sale, barter, exchange, or shipment as aforesaid of any worthless, contaminated, dangerous, or harmful virus, serum, toxin, or analogous product for use in the treatment of domestic animals, *or otherwise to carry out this paragraph,* and to issue, suspend, and revoke licenses for the maintenance of establishments for the preparation of viruses, serums, toxins, and analogous products, for use in the treatment of domestic animals, intended for sale, barter, exchange, or shipment as aforesaid. *In order to meet an emergency condition, limited market or local situation, or other special circumstance (including production solely for intrastate use under a State-operated program), the Secretary may issue a special license under a expedited procedure on such conditions as are necessary to assure purity, safety, and a reasonable expectation of efficacy. The Secretary shall exempt by regulation from the requirement of preparation pursuant to an unsuspended and unrevoked license any virus, serum, toxin, or analogous product prepared by any person, firm, or corporation—*

(1) solely for administration to animals of such person, firm, or corporation;

(2) solely for administration to animals under a veterinarian-client-patient relationship in the course of the State licensed professional practice of veterinary medicine by such person, firm, or corporation; or

(3) solely for distribution within the State of production pursuant to a license granted by such State under a program determined by the Secretary to meet criteria under which the State—

(A) may license virus, serum, toxin, and analogous products and establishments that produce such products;

(B) may review the purity, safety, potency, and efficacy of such products prior to licensure;

(C) may review product test results to assure compliance with applicable standards or purity, safety, and potency, prior to release to the market;

(D) may deal effectively with violations of State law regulating virus, serum, toxin, and analogous products; and

(E) exercises the authority referred to in subclauses (A) through (D) consistent with the intent of this paragraph of prohibiting the preparation, sale, barter, exchange, or shipment of worthless, contaminated, dangerous, or harmful virus, serum, toxin, or analogous products.

The Secretary of Agriculture is hereby authorized to issue permits for the importation into the United States of viruses, serums, toxins, and analogous products, for use in the treatment of domestic animals, which are not worthless, contaminated, dangerous, or harmful. All licenses issued under authority of this Act to establishments where such viruses, serums, toxins, or analogous products are prepared for sale, barter, exchange, or shipment as aforesaid, shall be issued on condition that the licensee shall permit the inspection of such establishments and of such products and their preparation; and the Secretary of Agriculture may suspend or revoke any permit or license issued under authority of this Act, after opportunity for hearing has been granted the licensee or importer, when the Secretary of Agriculture is satisfied that such license or permit is being used to facilitate or effect the preparation, sale, barter, exchange, or shipment as aforesaid, or the importation into the United States of any worthless, contaminated, dangerous, or harmful virus, serum, toxin, or analogous product for use in the treatment of domestic animals. That any officer, agent, or employee of the Department of Agriculture duly authorized by the Secretary of Agriculture for the purpose may, at any hour during the daytime or nighttime, enter and inspect any establishment ⟦licensed under this⟧ Act where any virus, serum, toxin, or analogous product for use in the treatment of domestic animals is prepared for sale, barter, exchange, or shipment as aforesaid. That any person, firm, or corporation who shall violate any of the provisions of this Act shall be deemed guilty of a misdemeanor, and shall, upon conviction, be punished by a fine of not exceeding $1,000 or by imprisonment not exceeding one year, or by both such fine and imprisonment, in the discretion of the court. *The procedures of sections 402, 403, and 404 of the Federal Meat Inspection Act (21 U.S.C. 672, 673, and 674) (relating to detentions, seizures, and injunctions, respectively) shall apply to the enforcement of this paragraph with respect to any product prepared, sold, bartered, exchanged, or shipped in violation of this paragraph or a regulation promulgated under this paragraph. The provisions (including penalties) of section 405 of such Act (21 U.S.C. 675) shall apply to the performance of official duties under this paragraph. Congress finds that (i) the products and activities that are regulated under this paragraph are either in interstate or foreign commerce or substantially affect such commerce or the free flow thereof, and (ii) regula-*

tion of the products and activities as provided in this paragraph is necessary to prevent and eliminate burdens on such commerce and to effectively regulate such commerce. That there is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, to be expended as the Secretary of Agriculture may direct, for the purposes and objects of this Act, the sum of $25,000, which appropriation shall become available on July first, nineteen hundred and thirteen, and may be expended at any time before July first, nineteen hundred and fourteen;

For construction of buildings at bureau experiment station at Bethesda, Maryland, and bureau experiment farm at Beltsville, Maryland, $16,500;

For general administrative work, including traveling expenses and salaries of employees engaged in such work, rent outside of the District of Columbia, office fixtures and supplies, express, freight, telegraph, telephone, and other necessary expenses, $40,186;

For all necessary expenses for experiments in the feeding and breeding of ostriches and for investigations and experiments in the study of the ostrich industry, $2,500;

In all, for general expenses, $1,371,946.

And hereafter the Secretary of Agriculture is authorized to prepare and sell at cost such pathological and zoological specimens as he may deem of scientific or educational value to scientists or others engaged in the work of hygiene and sanitation: *Provided,* That all moneys received from the sale of such specimens shall be deposited in the Treasury as miscellaneous receipts.

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POULTRY PRODUCTS INSPECTION ACT

AN ACT To provide for the compulsory inspection by the United States Department of Agriculture of poultry and poultry products

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Poultry Products Inspection Act".

* * * * * * *

IMPORTS

SEC. 17. (a) No slaughtered poultry, or parts or products thereof, of any kind shall be imported into the United States unless they are healthful, wholesome, fit for human food, not adulterated, and contain no dye, chemical, preservative, or ingredient which renders them unhealthful, unwholesome, adulterated, or unfit for human food and unless they also comply with the rules and regulations made by the Secretary of Agriculture to assure that imported poultry or poultry products comply with the standards provided for in this Act. All imported, slaughtered poultry, or parts or products thereof, shall after entry into the United States in compliance with such rules and regulations be deemed and treated as domestic slaughtered poultry, or parts or products thereof, within the meaning and subject to the provisions of this Act and the Federal Food, Drug, and Cosmetic Act, and Acts amendatory of, supplemental to, or in substitution for such Acts.

(b) The Secretary of Agriculture is authorized to make rules and regulations to carry out the purposes of this section and in such rules and regulations the Secretary of Agriculture may prescribe the terms and conditions for the destruction of all slaughtered poultry, or parts or products thereof, offered for entry and refused admission into the United States unless such slaughtered poultry, or parts or products thereof, be exported by the consignee within the time fixed therefor in such rules and regulations.

(c) All charges for storage, cartage, and labor with respect to any product which is refused admission pursuant to this section shall be paid by the owner or consignee, and in default of such payment shall constitute a lien against any other products imported thereafter by or for such owner or consignee.

(d)(1) Notwithstanding any other provision of law, all poultry, or parts or products thereof, capable of use as human food offered for importation into the United States shall—

(A) be subject to inspection, sanitary, quality, species verification, and residue standards applied to products produced in the United States; and

(B) have been processed in facilities and under conditions that are at least equal to those under which similar products are processed in the United States.

(2) Any such imported poultry article that does not meet such standards shall not be permitted entry into the United States.

(3) The Secretary shall enforce this subsection through—

(A) random inspections for such species verification and for residues; and

(B) random sampling and testing of internal organs and fat or carcasses for residues at the point of slaughter by the exporting country, in accordance with methods approved by the Secretary.

* * * * * * *

ADDITIONAL VIEWS OF CHAIRMAN JESSE HELMS

At the outset of deliberations on the 1985 Farm Bill, I urged the Committee on Agriculture, Nutrition, and Forestry to report a bill that would correct the mistakes in current farm policy and set our sights toward bringing about recovery in the agricultural economy.

It is with regret and no satisfaction that I felt obliged to go on record as the first Chairman of the Senate Agriculture Committee to vote against a farm bill. The bill reported by the Committee is not sound farm policy and offers no hope for recovery in the U.S. agricultural sector. Moreover, the bill exceeds the Budget Resolution by $8.9 billion (by the calculation of the Congressional Budget Office)—and by what is recognized as a more accurate estimate by the USDA of $19.1 billion. Obviously this bill is totally unsatisfactory to anyone believing, as I do, that Congress has a duty to restore fiscal sanity to the cost of operating the Federal government.

While my greatest objection is (1) the failure of the policy instruments and (2) the counterproductive impact they will have on the agricultural sector, it will be perilous to the Nation if we ignore the damage that will be done to the entire economy if the Senate does not agree to make this farm bill conform to the Budget Resolution.

What will happen to the entire budget process if every Committee were to exceed the budget by such enormous amounts? What will happen to the general economy if federal deficits are permitted to grow by these incredible amounts?

Less than 20 percent of the $54 billion in benefits and subsidies provided in this farm bill are directed to farmers who are experiencing financial distress. Yet, it is the relatively high degree of financial distress that is the only justification offered by the proponents of these tremendous outlays for farm subsidies. With all due respect, such "justification" falls into the category of false pretense.

My point is this: the Senate *can,* and should, adopt a farm bill that is sound farm policy, one that *does* conform to the budget resolution. It is my hope that Senators will consider carefully amendments that I and others will offer to correct the mistakes in this bill. If efforts to reform the failed policies of the past, and to conform the bill to the Budget Resolution, are successful, the recovery that is so desperately needed by farmers *can* get underway. If we fail to do our duty, and if the 1985 Farm Bill ends up continuing the mistakes of the past, the farm economy is certain to continue a downward spiral.

FAILURES OF THE PAST AND PRESENT

Past and present U.S. agricultural policies have contributed markedly to a downward spiral in the farm economy. In the period from 1981 to 1984, real net farm income declined 27 percent from the previous four year period, while direct governent payments increased over 350 percent. At the time the 1981 Farm Bill was enacted, it as estimated to have a four year cost of $11 billion. In fact, outlays under that Act will have exceeded $63 billion, almost 600 percent more than projected.

These massive increases in federal outlays for agriculture over the past four years have demonstrated that the answer to the farm problem isn't more and more government spending distributed indiscriminately. Indeed, the immense spending increases are directly responsible for the massive surpluses that have resulted in the diminished ability of farmers to earn profits in the marketplace.

Why have farm programs proven counterproductive? The answer to that is simple: The price supports are greater than the market value of the crops. But the subsidies aren't paid on the basis of a farmer's demonstrable need or financial stress. The subsidies are paid on the units of production—by the bushel, pound, or hundredweight. The more of a particular crop a farmer produces, the greater his total subsidy. By definition, this means that the greatest benefits and subsidies go to the largest farmers, which also by definition, means those farmers who need help the least.

Because Congress requires the government, in effect, to purchase everything a participating farmer produces at the "loan rate" level, there is compelling inducement for farmers to collect the subsidies offered. For exmple, USDA estimates that the current market price for wheat is about $2.80. The "loan rate" is $3.30 ($3.00 in this bill). In addition, direct subsidy payments, known as "deficiency payments" are paid in the same way. The "target price" is $4.38 ($4.55 for 80 to 85 percent of the production and $4.00 for the rest in this bill). There are similar programs for feed grains, cotton, and rice. The intention is to try to create a "price floor" in the marketplace for these commodities, plus an income support for the producers of these commodities. But the effect is just the opposite. Here's why.

The U.S. agricultural production system is geared to produce for the export market. More than 40 percent of everything American farmers produce must be sold in export markets, and the U.S. now controls about 50 percent of all world trade in agriculture. Many fail to consider that foreign farmers operate under the protection of the U.S. price support programs, because our government will purchase from our farmers anything they produce but cannot sell. Foreign farmers are keenly aware that if they just undercut at the margin the price at which the U.S. government will take commodities off the market, there go our markets—and 50 percent of the world trade is a very large market for them to target.

And that is just what our competitors have been doing. Price supports established above market clearing levels have stimulated production here and abroad, creating competition for American farmers that they would not otherwise have confronted. After rising from 40 percent to 60 percent of world trade during the 1970's, U.S. agricultural exports have fallen to the present level of about 50 percent. The cumulative loss in U.S. grain exports over the past five years totals nearly 100 million tons, roughly equivalent to losing one full year of grain exports.

Unmarketable U.S. surpluses, stored under the price support programs, overhang the markets and further depress prices farmers receive in the marketplace. This results in all kinds of dislocations, such as declining land values and increases in production of other crops and livestock. When the surpluses become so great that there is literally no more physical storage space—as was the case in the autumn of 1982, and as is predicted to be the case after the record 1985 crops are harvested—policy makers are then forced by circumstance to turn to efforts to restrict production. The largest acreage reduction program in the history of the world (PIK) was implemented in 1983 for precisely this reason. Over the past 4 years, more than 125 million acres have been idled through government supply control programs. This has caused tremendous loss of income to farmers and everyone else in the farm economy. And yet, total world production and trade have increased, while the U.S. share has declined. Foreign farmers see the U.S. reduce acreage, and promptly expand theirs. In 1983, when the U.S. removed 80 million acres in the PIK program, total world acreage actually increased by 13 percent.

Policies that induce more and more production in the face of massive surpluses (for which there is no ready market) put U.S. agriculture in a position like that of a dog chasing its own tail. Loan rates and target prices above market levels stimulate production and help turn U.S. markets over to foreign producers. Surpluses accumulate and put downward pressure on prices. Land values fall as farm units have trouble producing positive cash flows. Farmers who had not previously participated in these entitlement programs feel compelled to sign up, meaning ever greater government costs and ever greater inducements to excessive production.

Calls then come forth for further production controls and even higher price supports in an effort to support the very farm income that was driven downward by subsidies that were too high to begin with. These actions, when taken, induce even greater surpluses and result in pressure for starting the cycle all over again.

The most startling aspect of all this is that the small to medium sized family farmers are the ones most adversely impacted by this bizarre scenario. The larger farmers are generally those whose variable costs of production are the least. They have traditionally had access to the greatest amounts of capital and technology, and can most readily adapt to changing conditions. Because the larger farmers' costs of production are generally lower, they find the price supports to be much more generous than do those farmers who are smaller and whose costs of production are generally higher. Those farmers at the lower end of the cost of production curve simply apply the relatively lucrative price support payments and protections to purchasing more and more inputs and technology. In this way they attempt to increase their net income by producing and selling more and more bushels, pounds, and hundredweights—for which they receive ever more subsidies and payments. Those who are at the higher end of the cost of production curve then find that the surpluses thus created have driven the prices they receive in the marketplace even lower.

What an anomaly! The most vocal advocates of the "family farmer" then call for increased price supports, thus creating and exacerbating this particularly perverse cycle all over again.

Farm subsidies are targeted backwards: to the large and wealthy

It needs to be understood that only about 30 percent of the value of U.S. production is covered by farm programs. There are no subsidies or price supports for livestock or for perishable commodities such as fruit and vegetables and other speciality crops. So, the loan rate and target price programs can't begin to address the problem of income support for the farm sector. The income support functions of the 1985 Farm Bill will never help farmers who produce 70 percent of our agricultural output.

And, how about the 30 percent of the value of production that *is* covered? Surely, one would expect that the $65 billion we are talking about spending over the next four years in this bill will go to assist farmers experiencing financial stress. Don't count on it. Exactly the opposite will be the case.

You see, these programs operate as non-means tested entitlements—paid to farmers, not on the basis of financial condition but on the basis of bushels, pounds, and hundredweights. These units of production are inanimate objects that cannot experience financial stress. Only farm businesses can experience financial difficulty. Financial difficulty for a farming business can be gauged by changes in its asset values, debt commitments, and farm cash income; that is, on the basis of its equity and its cash flow. The most recent data available on this subject is contained in a report issued in July 1985 by the Department of Agriculture entitled, "Financial Characteristics of U.S. Farms, January 1985," and is included as an appendix to this Report.

The bottom line? It's this: There is enormous relative wealth in the U.S. agricultural industry. The average net equity for farming operations with gross sales greater than $250,000 was $904,446 on January 1, 1985. The average net equity for all farming operations with gross sales between $100,000 and $250,000 was $429,891 on January 1. And, the statistics for farms with gross sales between $20,000 and $100,000 was $246,220. This compares to the net equity of the average American family of about $92,000.

What's more, farmers as a class, have net annual incomes that often greatly exceed that of the average American family. Average annual income for American families is about $24,800 per year. The average net income for farm families with farming operations grossing more than $250,000 was $96,889 in 1984. Average net income for the $100,000 to $250,000 gross sales farm was $36,273. The same figures for those farming operations with gross sales between $20,000 and $100,000 was $17,602. Of course, there are many farmers in these different sales categories whose incomes were less than these average amounts. But, as in any averaging of statistics, for every farm family that had income less than the amounts indicated here, there was a farm family that had net income greater than these amounts. Farm programs provide their benefits, by definition to the larger farmers, and therefore, by definition, to the most wealthy farmers.

The most substantial part of the equity base of American farms is land. Farmland prices peaked in 1981 after three decades of uninterrupted increases. By April 1984, farmland prices had dropped 8 percent nationwide, and by as much as 28 percent in parts of the corn belt and upper mid-west. Land values will probably continue to decline further in 1985—and will surely do so if present farm policies continue to induce massive surpluses constantly driving prices lower and lower. Many farmers who purchased land or started farming in the late 1970's now have debts exceeding the value of their assets. But the fact remains that even with depressed land values and correspondingly reduced equities, American farm families—on the average—have net worth equity positions and net annual incomes which greatly exceed that of the average American family.

However, this relative wealth says nothing about debt to asset ratios, and that is where most farmers who are experiencing financial stress are most severely impacted. USDA estimates that by the end of 1985 4.6 percent of all U.S. farms will be technically insolvent, with debt/asset ratios exceeding 100%. Another 2.6 percent are projected to be in the "very highly leveraged" category, with debt/asset ratios between 70% and 100%. Another 19.5% are expected to be in the "highly leveraged' category, with debt/asset ratios between 40% and 70%.

The remaining 71.9 percent of American farmers are not experiencing—nor are they expected to experience—financial difficulty in 1985. And, it is important to note, not all of the farms in the highly and very highly leveraged categories are under serious financial stress. Farms with less than $50,000 in sales obtain much of their income from off-farm sources, and often serve as tax shelters for the very wealthy. Very large farms with over $500,000 in sales tend to be highly industrialized specialty operations and typically operate with high debt/asset ratios. Most of these farms have positive cash flows.

However, there is a very real, and often livelihood-threatening, financial difficulty for a relatively large number of farmers. The American people have great sympathy for the problems these families face, and surely intend that those who can be helped should be. At current rates of interest and levels of net returns in farming, farms with debt/asset ratios over 40 percent are likely experiencing cash shortfalls. Many will not be successful in keeping their businesses, and that is very sad and unfortunate, indeed.

This is especially unfortunate when it is understood that the cash-flow problems that are creating these wrenching problems are directly attributable to the massive surpluses induced into production by price support subsidies that are paid to all eligible farmers, and in greatest measure to the largest farmers with the highest equities and incomes and the least degree of financial stress. Just as appalling is the degree to which global competition is created under the protection that foreign farmers—such as those in Canada, Australia, Europe, and Argentina—receive from U.S. loan rates established by law above market clearing levels.

The point is that: The immensely costly provisions of this farm bill have very little to do with helping farmers in distress. It is apparent that these instruments of policy have been mandated by Congress to operate in such a way as actually to contribute significantly to the very real distress that up to 30 percent of the farmers are facing. The farm price support programs indiscriminately spew their subsidies on 100 percent of eligible production, inducing surplus eligible production. This causes ever greater distress for the 20 to 30 percent of the farmers to whom the American people would cheerfully extend a helping hand. And this is what has caused the farm programs to soar in expense from $11 billion to $65 billion over four years.

Indeed, by mandating programs which make it possible for farmers to forfeit unlimited amounts of eligible commodities to the Federal government, and by insisting that target price deficiency payments must be made to producers based on the maximum amount a farmer can possibly and conceivably produce, this bill is certain to continue the same counterproductive and perverse conditions that have prevailed the past four years. And, in the process, it will cause the Federal deficits to soar, adding further to the economic distress of all Americans, but especially to debt-plagued farmers who will be burdened with enormously high interest rates. In short, if we *want* to douse the fire with gasoline, this farm bill is the way to do it.

The Committee approved bill has certain provisions that allow farmers to receive deficiency payments without having to actually grow part of the crop, and to receive direct payments if they are willing to forego putting that which they do grow into the price support loan program. However, these are new and untested policy instruments. They may reduce some of the incentive to produce surpluses, but are even more likely to provide additional payments to farmers without any regard to their financial condition or need for assistance.

Unless properly modified, this farm bill will cause massive surpluses to continue to pile up in government warehouses, and market prices will continue to decline. Storage will run out, and massive diversion schemes will be implemented. The hapless dog will chew its tail. This will drastically reduce farm income and devastate the agricultural support industries that make up so much of the rural American economy. Such acreage diversion schemes will encourage foreigners to put more acreage into production, and cause American farmers to more intensely cultivate their remaining acres. America will lose another 10 percent, or maybe 20 percent, or more of its export market share. Farm cash-flow will deteriorate, and along with that land values will continue to fall. This means that ever greater numbers of farmers will find their operations in the "highly leveraged" category, and the entire equity base of rural America will be severely threatened. The once great American agricultural sector will lie in ruins, its comparative advantage transferred to the eagerly awaiting farmers in Argentina, Brazil, Europe, India, Canada, Australia, Thailand, and all the other countries which have taken away our export markets at the inducements in U.S. farm policy.

This scenario is very real, because this is precisely what is happening now. And, it is certain to continue to happen in just this way if this bill is not modified by the Senate.

HOW TO ACHIEVE SOUND POLICY

Correcting these counterproductive and destructive flaws in the Committee reported bill is not at all impossible. Indeed, the changes required should not even be difficult. The basic instruments of farm policy are sound, and will work well if they are in a sensible relationship to actual market conditions.

Loan rates

The concept of non-recourse loans has worked well as an effective and cost-efficient marketing tool for farmers. The Committee bill recognizes the need for the loan rates to be established on a formula that allows the loan rate to adjust to changing market conditions. But it adds conditions that make it unlikely that the Secretary will be able to exercise the authority provided in theory to be used in practice. Only two changes are necessary:

(1) *Make the "Findley" provisions mandatory.*—The Committee bill provides discretionary authority for the Secretary to reduce loan rates up to 20 percent if market prices come within 110 percent of the loan rate. The bill needs to be modified to require that the Secretary reduce loan rates 10 percent, with authority to reduce them up to 20 percent. That is the only way we can be assured that there is sufficient flexibility in loan rates to stop inducing excessive production in the U.S. and abroad.

(2) *Place limits on the amount of crop loans that one farmer is permitted to forfeit to the government.*—The tremendous increase in the cost of the farm programs is a consequence of Congress requiring that any farmer may forfeit to the government any amount of commodity he can conceivably produce. This is an entitlement for bushels, pounds, and bales that has become too costly and destructive to sound policy. It induces massive over production and removes any element of risk for the farmer-businessman. Putting a cap on the total amount of non-recourse loans would still permit farmers to take out recourse loans that they would have to repay as any other loan. This reform would allow farmers to produce as much as they want, but the amounts above the non-recourse loan cap would have to be marketed at their own risk.

Target prices

The target price deficiency payment system is a very orderly and effective procedure for transferring income from the non-farm to the farm sector. It is far more desirable to support farm income, if that is what Congress intends, with direct payments than it is to try to do so by artificially setting loan rates above market clearing levels and by employing acreage diversion schemes to try to control production. As previously described, both of those tools used to support farm income are destructive to the purpose intended. That is why Congress established target prices.

However, if Congress intends to support farm income the obvious question is: "Whose income, and how much." As previously described, the present system of determining who gets income support subsidies, and how much, ends up making immense payments to wealthy farmers, and invites everyone in the production stream to turn out ever greater surpluses, actually depressing market prices for every farmer—and particularly for those small to medium sized family farms.

Because past and present policies mandated by Congress have created this chaos, and because so many farmers organized their businesses in a way that now makes them dependent upon receiving direct subsidies, no one has suggested that Congress now terminate the deficiency payment program. However, this does not mean that Congress cannot modify the target price program. Three modifications are necessary:

(1) *Reduce the target price payment level.*—Freezing the target prices for 1986 at the 1985 level, and providing for their 5 percent across-the-board reduction in each year thereafter will provide massive income protection, yet will signal that over time this protection will diminish marginally. Target prices are simply too high. Congress did not intend them to be at the present levels in inflation adjusted terms when they were established at their present levels in the 1981 Farm Bill.

(2) *Reduce the amount of commodities for which one farmer could receive target price payment subsidies.*—As previously discussed, the target levels are so high as to serve as massive inducements to surplus production, and operate as entitlements for income transfer payments to farmers without regard to their financial condition. Almost half of the entire cost of these subsidies benefit the largest 5 percent of the farmers. Limiting the amounts of commodities for which a particular farmer is entitled to income transfer payments is an absolute necessity if these farm programs are to make any sense at all.

(3) *Remove gimmicks and loopholes that provide for higher payments and which encourage crafty schemes to evade payment limits.*—The market price deficiency payments are calculated should be made honest. Right now it is skewed to assure the calculation for the highest amount of subsidies. Also, many farm operations have come to violate the spirit of the $50,000 payment limitation permitted to any one farmer by cleverly dividing up their operations into several "payee units." Reports abound of schemes by tax avoidance limited partnerships which craftily exploit the loopholes in the payment limitation provision of the target price program. This multi-billion dollar program is rife with abuse. It needs to be tightened up.

Acreage reduction programs

Schemes to limit production on an annual basis should be phased out, because they don't work.—Acreage Reduction Programs (ARPs) are the basis of eligibility for the panoply of farm programs. For this reason, their implementation can give the impression of reducing government costs, at least in theory. But they don't work that way in practice, particularly over a multi-year period.

Farmers simply more intensely cultivate their remaining acres, or put generally unproductive land into the ARP. However, when foreign producers read that the U.S. has an ARP in a particular year they are induced to plant more acreage, increasing world surpluses even more. Further, because ARPs require farmers not to use valuable assets of land and equipment, their implementation makes it less possible for farmers to earn their income from the marketplace, and makes them more dependent upon government subsidies.

The Conservation Reserve program provided for in the Committee bill will pay farmers more than $4 billion to remove between 25 and 30 million fragile acres from production. And, the sod-buster and conservation cross compliance provisions in the bill make sure that there will be adequate and effective reduction of the least suitable acres.

For these reasons the Senate should modify the Committee approved bill to phase out authority for the Secretary to implement acreage reduction programs as an instrument of agricultural policy.

Conclusions

If these six modifications are made in the farm bill reported by the Committee, the Senate will have assurance that it will be possible for a recovery to get underway in the U.S. agricultural economy. All of these proposals for modifications will improve the effectiveness of the farm programs, and more properly target the billions of dollars in benefits and subsidies to those farmers who are most likely to be in need of assistance. The thrust of these recommendations is to remove the massive inducements for excessive surplus production now inherent in the executive and complex weave of farm price support and subsidy programs.

The Senate Committee on Agriculture, Nutrition, and Forestry put much effort into this farm bill, spending almost four months in mark-up. With the exceptions I have noted, this farm bill is generally excellent work that makes important reforms in a wide range of programs. The conservation title is outstanding. The export title will provide important new instruments to the Secretary of Agriculture in helping combat the predatory trading practices of some competitor nations, and make significant reforms in our foreign food assistance programs. The research title has a number of reforms and innovations that will improve the quality and delivery of agricultural research in the years ahead. Reforms in a number of the programs for commodities other than those already mentioned will make them more effective in meeting increasing global competition.

In other areas the Committee adopted reforms, but simply did not go far enough to be effective or desirable. This is the case in dairy, and in food stamps, and perhaps a few others. There are certain to be floor amendments on these subjects. In particular, I believe that the food stamp error rate sanctions for the States and the work requirements for the able-bodied are weak and very much need to be strengthened. Some 17 States have indicated that they would be interested in considering an optional block grant for providing food assistance to the needy, and I feel strongly that the Senate should provide such authority on that basis.

So, while there is much in this farm bill to commend it, I am nonetheless disappointed that by indiscriminately pouring forth massive subsidies on the agricultural sector, this bill will contribute to its further wrenching pain and decline.

As I concluse, I would emphasize that this bill, without the six modifications I have outlined, is bad news for American farmers and American taxpayers. It offers no hope for improvement in the farm economy. It repeats all the mistakes of the past. It will perpetuate the existing difficult economic situation of our farmers, and it will waste many billions of deficit dollars—dollars borrowed from future generations—to pay massive subsidies to hundreds of thousands of farmers who least need it. The huge commodity surpluses thus induced into production will further cripple the cash flows and profitability of the very family farmers these programs (it is so loudly proclaimed) are supposed to help.

I hope the necessary changes in the farm bill will be made when it is debated by the full Senate.

JESSE HELMS.

ADDITIONAL VIEWS OF SENATOR RUDY BOSCHWITZ

I believe we have three clear directives in the farm situation. We must protect farm income. We must become competitive with overseas suppliers to hold on to the U.S.'s role in the world grain market. Lastly, we must design a bill that keeps the entire rural economy running.

Unfortunately, the bill this conmmittee has decided to report at best does only one of these things. It may provde some farm income protection, but falls short on the other points. It basically does nothing more than preserve the status quo.

For four months we sat in Committee and debated the farm bill. We spent days and days discussing everything from wool and mohair, to honey, rice and dairy. We covered just about every agricultural issue, all with the full recognition of the level of difficulty now being faced by our farmers. But now, after all of that, this Committee turns around and continues the program we already have—a program that isn't working and has been the reason American agriculture has been pushed against the ropes. It doesn't work now, it won't work, and I can't support it.

I have more faith in the market than does the majority of the Senate Agriculture Committee. And as long as we protect farm income, the market will result in a better deal for the our farmers than the Committee has offered.

Earlier this year, Senator Boren and I introduced the Family Farm Protection and Full Production Act. Our bill would protect farm income through transition payments paid directly to farmers based on previous participation in federal programs. Price supports would be lowered to make U.S. commodities competitive overseas. The bill would eliminate set asides, which I think are one of the most destructive things we do to the rural economy.

Now, more than ever, we need a farm bill that is aggressive and innovative, one that answers the concerns of the farm community. Instead, the committee's bill wants farmers to continue down the same disaster-ridden road we are now on.

I'll be opposing this proposal on the floor of the Senate and offering something that will really address rural America's problems.

APPENDIX

FINANCIAL CHARACTERISTICS OF U.S. FARMS, JANUARY 1985

(A Report of the Economic Research Service, U.S.D.A. Agriculture Information Bulletin 495, July 1985)

INTRODUCTION

This report presents the latest information on financial conditions of U.S. farmers and is based on survey information collected by the U.S. Department of Agriculture in the spring of 1985 for the 1984 calendar year. Because of the continuing deterioration of farm financial conditions, the report concentrates on farms evidencing financial problems. To identify those farms, we used a combination of debt/asset ratios and cash flow statements. Basically, the data show that nearly one-third of all farms with annual sales of over $40,000 in the United States show high debt loads, or inability to generate sufficient cash to pay their bills, or both.

> 129,000 commercial farms (20 percent of all farms with annual sales of over $40,000) are under financial stress because they have both negative cash flow and a debt/asset ratio of more than 40 percent.
>
> Another 68,000 farms with similar sales levels also show potential financial stress because their debt/asset ratio exceeds 40 percent, even though they had a positive cash flow in 1984.

AN AGGREGATE PERSPECTIVE OF CONDITIONS IN THE FARM SECTOR

The cash income of the farm sector, after rising to a record $40.1 billion in 1983 (due largely to Government payments associated with the payment-in-kind program), fell to $37–$40 billion in 1984 (table 1). But the change in cash income between 1983 and 1984 did not similarly affect all farm types. The cash income of crop farms dropped by about 20 percent while that of livestock farms rose by about 6 percent. Among crop farms, the incomes of cash grain and cotton farms fell while the incomes of horticultural, fruit, and other field crop farms rose. Among livestock farms, poultry farms had higher cash incomes in 1984, while the cash incomes of dairy and cattle, hog, and sheep farms declined.

TABLE 1.—INCOME AND ASSET VALUES, 1970–85

[In billions of dollars]

Year	Net farm income	Net cash income	Farm assets	Farm liabilities
Average: 1970–79	23.6		521.9	
1980	21.2	37.7	1,005.5	165.8
1981	31.0	35.0	1,089.8	182.0
1982	22.3	36.8	1,083.5	201.7
1983	16.1	40.1	1,045.2	216.3

TABLE 1.—INCOME AND ASSET VALUES, 1970-85—Continued

[In billions of dollars]

Year	Net farm income	Net cash income	Farm assets	Farm liabilities
1984	33-36	37-40	1,028.2	214.8
1985 [1]	20-25	34-39	951.7	210.8

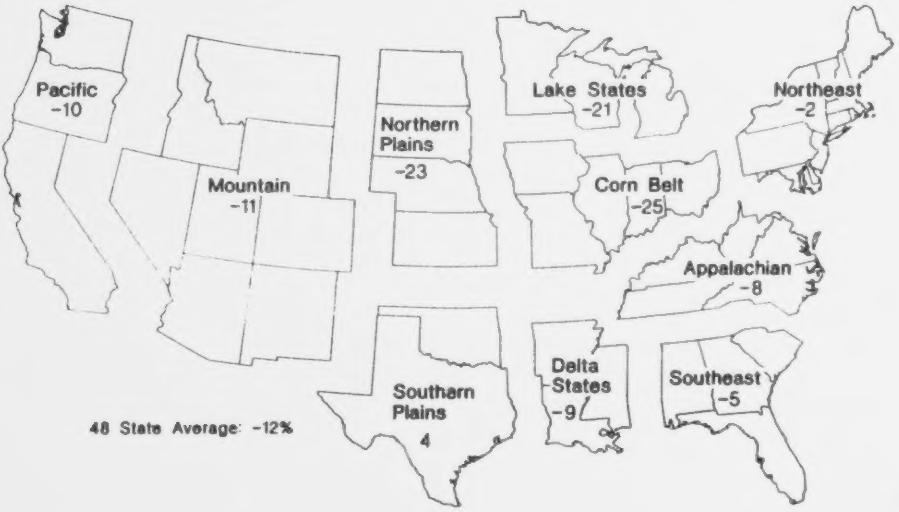
[1] Forecast.

In 1983, drought and commodity programs reduced output, but crop output in 1984 rose by 26 percent. Increased output, coupled with higher prices, raised net farm income to nearly twice the level of the $16.1 billion earned in 1983. As with cash income, net income changes during the 1984 calendar year also varied by type of farm.

The value of farm assets continued to decline during 1984, primarily due to the drop in real estate values. Nationwide, farmland values are estimated to have declined by 12 percent between April 1, 1984, and March 31, 1985. Despite a small decline in total liabilities, the farm sector's estimated debt/asset ratio on January 1, 1985, rose to about 22 percent from the January 1, 1984, level of 20.8 percent. The decrease in asset values was most pronounced in the Corn Belt, Northern Plains, and Lake States where real estate values dropped by 25, 23, and 21 percent, respectively, during 1984 (fig. 1). Since peaking in 1981, land values have declined by almost 50 percent in Iowa and Nebraska, and by about 40 percent in Ohio, Illinois, Indiana, Minnesota, and Missouri.

Figure 1

Change in Farmland Value Per Acre, 1984-85, by Farm Production Region


Pacific
-10
Mountain
-11
Northern Plains
-23
Lake States
-21
Northeast
-2
Corn Belt
-25
Appalachian
-8
Delta States
-9
Southeast
-5
Southern Plains
4
48 State Average: -12%

How changes in production, income, assets, and liabilities altered the financial situation of farm operators is described here using farm debt/asset profiles, earnings, and debt service capacity along with the off-farm incomes of operators. We used data from the USDA Farm Costs and Returns Survey of farm operators conducted in the spring of 1985 to develop an average cash flow and net worth statement for farms of different types and sizes. The remainder of this report describes the findings of this farm operator survey; highlights characteristics of survey respondents; analyzes debt characteristics of farm operators; develops farm operating income statements, including income from farm and nonfarm sources; assesses cash surplus or shortfall positions of farms by various characteristics; and identifies the portion of debt reported by farm operators to be held by various lenders, including the portion of debt secured by real estate.

SURVEY SAMPLE AND PROCEDURES

The Farm Costs and Returns Survey (FCRS) is a multiframe probability-based survey. This means that the sample of farm operators consists of farmers chosen from a list of known operators compiled by the Statistical Reporting Service (SRS) and areas of rural land of known size in which all residents were interviewed to determine if they qualify as farm operators. A samle of 23,386 rural residents was contacted by enumerators between February 15, and March 8, 1985. Of those contacted, 72.8 percent participated in the survey. For the survey, a farm was defined as an establishment producing agricultural commodities which either had actual annual sales or purchases of $1,000 or more in 1984. Since only a probability sample of farms is taken in the survey, each respondent represents a number of other farms of a similar size and type.

Data supplied by the survey respondents were used to develop coordinated cash flow and balance sheet statements for farm operators. These statements were then sorted, tabulated, and averaged for farms with various production, sales, and debt characteristics. The analysis of farmers' debt load is based on reported debts and assets, cross-tabulated against farm size by sales class, type of farm, and region. The cash surplus or shortfall is based on each farm's calculated cash balance and its debt/asset ratio.

All land operated by survey respondents was estimated to total 1.1 billion acres. The average farm size was 523 acres, excluding land used on an animal unit per month basis (app. table 1). Harvested cropland per farm averaged 191 acres; the average reported by the Census of Agriculture for 1982 was 180 acres, an amount similar to that obtained in this survey.

The 1984 FCRS indication of the harvested acreage of principal crops was relatively close to the estimates developed by the Crop Reporting Board of USDA. Acreages of principal crops reported by the survey totaled 321 million acres compared with 335.6 million reported by the Department. But the departmental estimate of principal crops also includes 3.8 million acres of rye, flaxseed, dry edible beans, sweet potatoes, and sugarcane not enumerated in the survey. Excluding this acreage, the estimate of total principal crops differs by only 3.2 percent.

To qualify as a farm for the FCRS survey, an operation must have produced or sold at least $1,000 worth of agricultural products or spent at least $1,000 for feed, supplies, equipment, or other supplies for the purpose of producing agricultural products on the operation. In contrast, Census of Agriculture defined a farm as any place from which $1,000 or more of agricultural products were sold or normally would have been sold during the Census year. The expanded number of U.S. farms covered by the FCRS totaled 1.7 million for 1984, compared with 2.2 million farms from the 1982 Census of Agriculture (see table 2). The Census of Agriculture included 253,147 farms with sales of less than $1,000 in its total. These farms were excluded from the FCRS estimate. Most FCRS undercounting of farm numbers is for the small sales classes, especially for farms that have less than $5,000 in sales. The survey gives a fairly close count of farms with sales over $40,000, those generally considered to be commercial-size farm units.

Survey coverage of the farm sector is also illustrated by the estimate of farms by production specialty and its similarity to the 1982 Census of Agriculture. Nationally, farms specializing in either crop of livestock accounted for about half of total farms (table 3). Cash grain was the most common crop farm type and general livestock (cow-calf, hogs, etc.) was the most common livestock farm. The most common farm type also varied from one region to another (app. table 2).

TABLE 2.—NUMBER OF FARMS REPORTED BY THE CENSUS OF AGRICULTURE AND DERIVED FROM THE 1985 FCRS

Sales class	Census of Agriculture, 1982		FCRS, 1984	
	Number	Percent	Number	Percent
$500,000 and over	27,800	1.2	30,520	1.8
$250,00 to $499,999	58,668	2.6	68,698	4.1
$100,000 to $249,999	215,912	9.6	230,043	13.6
$40,000 to $99,999	332,751	14.8	307.195	18.1
$20,000 to $39,999	248,825	11.1	199,627	11.8
$10,000 to $19,999	259,007	11.6	194,217	11.5
Less than $10,000	1,096,337	48.9	663,637	39.2
Total	2,239,300	[1] 100	[2] 1,693,939	[1] 100

[1] Totals may not add to 100 percent due to rounding.

[2] Undercounting of farms in the FCRS, compared with the Census, arises chiefly because of definitional differences. The undercounting is confined mainly to farms in the smallest sales classes. See text for more detail.

Dairy farms were most common in the Northeast and Lake States; cash grain farms in the Corn Belt and Northern Plains; field crops in the Appalachian region; general livestock in the Southeast, Southern Plains, and Mountain States; and fruit farms in the Pacific States. The major farm type categories are used to classify debt and cash flow difficulties later in this report by area of the country.

Data by economic class are also used to assess the debt and cash flow condition of farmers. The survey data indicate that nearly 40 percent of farm operators had less than $10,000 in sales; these farms accounted for 2 percent of total farm sales and 48.6 percent of total off-farm income earned by farmers in 1984 (app. table 1). Farms with sales over $500,000 accounted for 1.8 percent of farms and earned 1.6 percent of the off-farm income; but these large farms reported 26.9 percent of the sales of farm products in 1984.

Nearly 63 percent of all farm operators reported farming as their primary occupation; about 1 percent identified themselves as hired managers; and nearly 36 percent classified themselves as having other primary occupations, including those who work at off-farm jobs and farm on a part-time basis (app. table 3).

TABLE 3.—DISTRIBUTION OF FARMS BY TYPE OF FARM

[In percent]

Farm type	FCRS	1982 Census of Agriculture
Crop	50.6	46.1
Cash grain	23.6	25.7
Field crop	8.9	11.3
Vegetable	1.5	1.4
Fruit	2.6	3.8
Nurseries	1.6	1.6
Livestock	49.4	53.9
General livestock	34.9	40.4
Dairy	10.6	7.3
Poultry	1.9	1.9

ASSESSING FINANCIAL STRESS

The incidence of different financial problems among farmers of different types and sizes and in different farm production regions is gauged in this report through the use of various financial measures; in particular, debt/asset ratios and a cash flow analysis (fig. 2). The financial position of farms and ranches can be analyzed for a particular time period by developing a balance sheet that shows the assets and liabilities of the farm business. The balance sheet contrasts the amount of money that the operator (owner) has invested versus the amount owed to creditors. The balance sheet is usually summarized by a debt/asset ratio. This ratio of debts to assets is often used as a measure of the firm's financial obligations and indicates overall financial soundness and risk-bearing ability.

FIGURE 2—A COORDINATED CASH FLOW AND BALANCE SHEET STATEMENT FOR FARM OPERATORS

Activity	Item
	Total crop and livestock sales
Plus:	Other farm income (customwork, machine hire, Government payments, etc.)
Equals:	Gross income from farm operation
Less:	Cash operating expenses
Equals:	Net cash income from farm operation
Plus:	Nonfarm income
Equals:	Income from farm operation and nonfarm sources
Less:	Estimate of debt repayment
Less:	Family living allowance
Equals:	Cash balance
Balance sheet components	Sum of total farm debt Sum of total farm assets

Cash flow statements provide information about the sources of cash income, farm and nonfarm, available to pay current production expenses, to service principal and interest payments on farm debt, and to provide for family living needs. The cash flow measure developed for this analysis is a shortrun measure since it does not take into account allowances for depreciation of capital or for a return to owner-operator inputs: labor, land, or machinery.

The debt/asset ratio of a farm is one of the primary measures that determines whether the farm will have cash flow difficulities. At current prices, input costs, and asset values, most farms start having difficulites meeting principal repayment commitments at debt/asset ratios of around 40 percent. Another critical point is reached if the debt/asset ratio of the farm reaches 70 percent. Above this point, farms generally have problems meeting either their interest commitments or their principal repayment commitments. With debt/asset ratios above 70 percent, many farms start sliding toward insolvency. The final critical point is insolvency where the total debts of the farm exceed the total value of owned assets. At this point, a farm generally cannot meet either interest or principal payments and the value of assets, if sold, would not be enough to retire the debts. Thus, there are four categories of farms by debt/asset ratios:

0–40 percent: generally few financial problems and very strong net worth.

40–70 percent: problems meeting principal repayment but adequate net worth.

70–100 percent problems meeting principal repayment and current interest due, and declining net worth.

Over 100 percent: severe problems meeting principal and interest commitments and negative net worth. These farms are technically insolvent and sale of the farms's assets would not be sufficient to retire its debts.

The coordinated cash flow and balance sheet of farms and ranches, sources of cash operator's income form both farm and nonfarm sources, production expenses, farm debts, and assets were derived from primary survey data. But the estimates of funds needed to provide for family living needs and to meet principal repayment commitments were developed from secondary information. Family living needs were estimated as the median family income for nonmetropolitan counties reduced by the implicit net rental value of farm dwellings and income taxes. The reason for these adjustments is that the operator's dwelling is usually provided on the farm and that farms with cash flow shortfalls would usually have losses for income tax purposes and thus reduced tax liability. After making these adjustments, the family living income allowance was estimated at $12,950 for the average farm family.

Principal repayment commitments were estimated at 8.6 percent of outstanding debt. This amount is consistent with the farm operation having half of its debt as long-term debt with 20 years remaining and half as short-term debt amortized over 5 years. If the percentage of short-term debt were higher (lower) or the repayment period shorter (longer), then the 8.6-percent estimate used would understate (overstate) principal payments.

FARMERS' DEBT POSITION

Almost 320,000 farms (18.9 percent of the number of total survey farms) reported debt/asset ratios in excess of 40 percent, indicating some degree of financial stress as a January 1, 1985 (fig. 3 and table 4). The survey conducted for 1983 indicated that 17.7 percent of operators reported debt/asset ratios over 40 percent as of January 1, 1984.[1] The increase in the number of farms reporting a higher debt/asset ratio is partially attributed to the drop in land values in 1984.

Figure 3

Percent of Farms by Sales Class and Debt/Asset Category, January 1, 1985

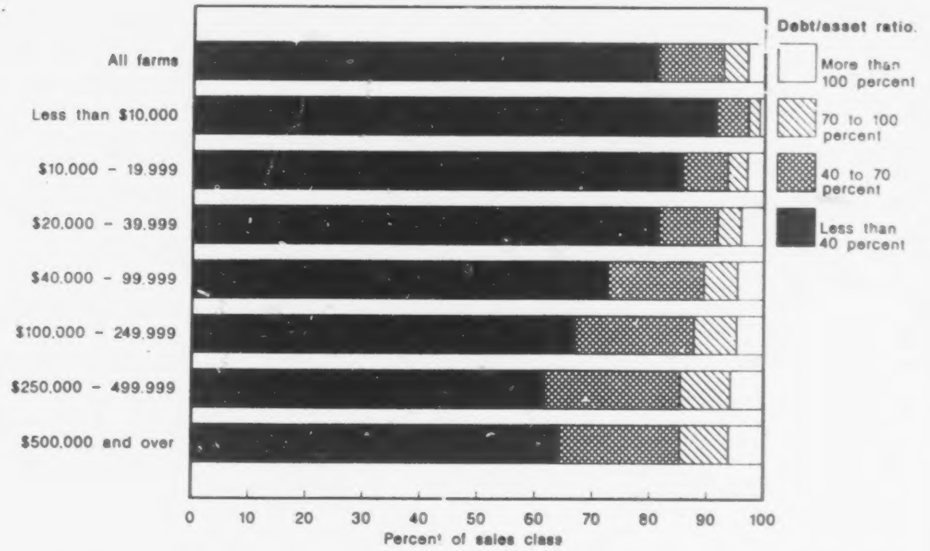


TABLE 4—PERCENTAGE OF FARMS IN EACH SALES CLASS BY DEBT/ASSET RATIO, JANUARY 1, 1985

Sales class	Highly leveraged (40–70 percent debt/asset ratio			Very highly leveraged and technically insolvent (over 70 percent debt/asset ratio)			Technically insolvent (over 100 percent debt/asset ratio) [1]	
	Percent of class		Number of farms [2]	Percent of class		Number of farms [2]	Percent of class	Number of farms [2]
	Jan. 1, 1984	Jan. 1, 1985	Jan. 1, 1985	Jan. 1, 1984	Jan. 1, 1985	Jan. 1, 1985	Jan. 1, 1985	Jan 1, 1985
$500,000 and over	17.4	21.1	6,426	15.3	14.7	4,468	6.1	1,844
$250,000 to 499,999	19.0	23.6	16,184	12.6	14.7	10,111	5.8	3,993
$100,000 to 249,999	18.1	20.7	47,531	9.2	12.3	28,342	4.7	10,759
$40,000 to 99,999	14.7	16.8	51,295	8.7	10.6	32,522	4.6	13,982
$20,000 to 39,999 [3]	9.7	10.4	20,708	7.9	8.2	16,352	4.0	8,011

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[1] U.S. Department of Agriculture, Economic Research Service. "The Current Financial Condition of Farmers and Lenders," AIB–490. March 1985.

TABLE 4—PERCENTAGE OF FARMS IN EACH SALES CLASS BY DEBT/ASSET RATIO, JANUARY 1, 1985—Continued

Sales class	Highly leveraged (40–70 percent debt/asset ratio			Very highly leveraged and technically insolvent (over 70 percent debt/asset ratio)			Technically insolvent (over 100 percent debt/asset ratio) [1]	
	Percent of class		Number of farms [2]	Percent of class		Number of farms [2]	Percent of class	Number of farms [2]
	Jan. 1, 1984	Jan. 1, 1985	Jan. 1, 1985	Jan. 1, 1984	Jan. 1, 1985	Jan. 1, 1985	Jan. 1, 1985	Jan. 1, 1985
$10,000 to 19,999 [3]	7.9	8.1	15,630	4.0	6.5	12,574	3.0	5,820
Less than $10,000	8.1	5.8	38,739	4.5	2.8	18,640	.9	6,191
All farms	11.1	11.6	196,512	6.6	7.3	123,007	3.0	50,599

[1] The number of technically insolvent farms was not estimated for 1984.

[2] The number of farms estimated for each class is determined directly from the survey estimate of farm numbers. The survey provides a relatively close estimate of farm numbers for farms with sales in excess of $10,000 but undercounts farms with sales of less than $10,000. One reason this occurs is because the FCRS counts farms only if they have actual sales of $1,000. Surveys of farms numbers generally include farms if they normally have $1,000 in annual sales.

[3] The 1984 sales class definitions are different from the 1985 definitions. The 1984 definitions are: $50,000 to $99,999, $25,000 to $49,999, and $10,000 to $24,999.

Source: Farm Costs and Returns Survey, 1984, USDA.

About 196,000 farms (11.6 percent of survey farms) had a debt/asset ratio between 40 and 70 percent. Another 123,000 very highly leveraged and technically insolvent farms (7.3 percent of farms) had debt-asset ratios greater than 70 percent, generally indicating severe financial stress. Nearly 51,000 operators (3 percent of the total) are estimated to have had debts in excess of assets, indicating insolvency. But, more than four-fifths of all farm operations are estimated to have had a debt/asset ratio of less than 40 percent, generally indicating a strong financial position.

Debt by size of farm

The larger sales classes have the highest proportion of farms with debt/asset ratios in excess of 40 percent. The January 1, 1985, data indicate that 35.8 percent of farms with sales over $500,000 have debt/asset ratios over 40 percent and that 38.3 percent of the farms with sales between $250,000 and $499,999 have debt/asset ratios over 40 percent. Less than 20 percent of the farms with sales less than $40,000 have debt/asset ratios over 40 percent. Larger proportions of the higher sales classes are either very highly leveraged or technically insolvent. While 3 percent of survey farms reported their debts exceeded their assets (indicating insolvency), 6.1 percent of farms with sales over $500,000 and 5.8 percent of farms with sales between $250,000 and $499,999 reported debts in excess of assets. The largest absolute number of farms reporting such financial difficulties had annual sales of between $40,000 and $249,999.

The amount of reported indebtedness by sales class varies from one region to another (app. table 4). For farms with sales over $500,000, the regions with the largest proportion of highly leveraged operators were the Northern Plains (24 percent), Pacific (21.5 percent), and Mountain regions (19.5 percent). In the Lake States and Corn Belt, about 14 percent of the largest operators were very highly leveraged; those regions also had a very large proportion (35.1 and 26.1 percent, respectively) of highly leveraged farms. For sales classes between $100,000 and $499,999, the Southern Plains, Corn Belt, Lake States, and Delta had the highest proportion of very highly leveraged farms and ranches. The Delta showed the largest proportion of very higly leveraged farmers with sales between $20,000 and $99,999.

Debt/Asset ratios by farm type

Cash grain farms and nurseries had the highest proportion of crop farms with debt/asset ratios over 70 percent; dairy and poultry and egg farms had the highest proportion among animal livestock farms (table 5). The proportion of very highly leveraged cash grain farms rose by more than a third in 1984; the proportion of all farms in the very highly leveraged category increased by slightly more than 10 percent. Nurseries and cash grain farms also had the largest proportion of operators reporting insolvency.

TABLE 5.—DEBT/ASSET RATIOS BY TYPE OF FARM, JAN. 1, 1985

Type of farm	Highly leveraged (40–70 percent debt/asset ratio)			Very higly leveraged and technically insolvent (over 70 percent debt/asset ratio)			Technically insolvent only (over 100 percent debt/asset ratio)	
	1984	1985	Number of farms	1984	1985	Number of farms	1985	Number of farms
Cash grain	14.2	13.8	54,919	7.6	10.2	40,763	4.5	17,846
Field crop	11.8	8.2	12,444	8.9	4.1	6,235	2.1	3,222
Vegetable and melon	17.8	13.6	3,514	6.3	7.6	1,964	3.1	800
Fruit and nut	7.7	8.4	3,734	4.0	4.9	2,186	2.6	1,175
Nursery	21.7	6.6	1,823	([1])	9.4	2,606	6.0	1,650
General crop	6.7	8.7	17,912	4.6	6.0	12,404	3.0	6,295
General livestock	10.6	9.2	54,378	7.1	5.6	33,130	2.2	12,903
Dairy	17.8	20.9	37,551	8.7	10.9	19,548	2.9	5,235
Poultry and egg	17.9	18.0	5,794	17.7	10.1	3,236	2.4	776
Other livestock	12.6	13.1	4,443	9.1	2.8	935	2.1	696
All farms	11.1	11.6	196,612	6.6	7.3	123,007	3.0	50,599

[1] Data not available due to disclosure rules.

Source: Farm Costs and Returns Survey, 1984, USDA.

Cash grain, general livestock, and dairy farms had the largest number of both highly leveraged farms and very highly leveraged farms. These three farm types accounted for nearly three-fourths of the total number of farms in each debt category. Cash grain and general livestock farms also had the largest number of insolvent operators.

Regional distribution of farms by debt/asset ratio

The Northern Plains, Corn Belt, and Lake States have the highest proportion of highly and very highly leveraged farm operators (table 6 and fig. 4). These regions, plus the Delta, also have the largest proportion of technically insolvent operators. This is not surprising since these areas: have large numbers of cash grain, livestock, and dairy farmers; have a large share of medium size operators; and experienced the steepest drops in farmland values in 1984. The continued drop in farmland values, combined with relatively low returns from cash grain production, provides a succinct explanation for the growing proportion of highly leveraged producers in the Midwest.

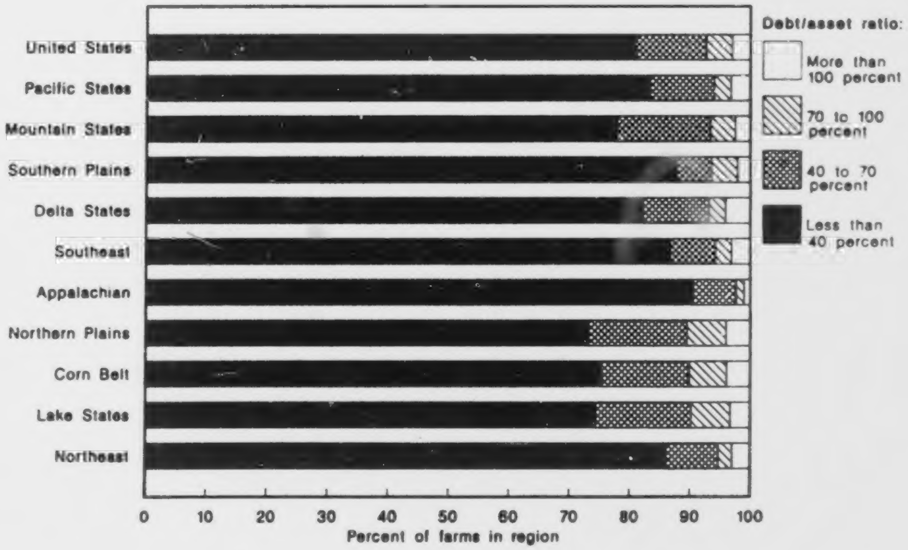
TABLE 6.—PERCENTAGE OF FARMS IN EACH REGION BY DEBT/ASSET RATIO, JAN. 1, 1985

Region	Highly leveraged (40–70 percent debt/asset ratio)		Very highly leveraged and technically insolvent (over 70 percent debt/asset ratio)		Technically insolvent only (debt/asset ratio over 100 percent)—1985
	1984	1985	1984	1985	
Northeast	15.9	8.7	3.9	5.3	3.0
Lake States	14.5	15.8	8.0	9.8	3.3
Corn Belt	11.9	14.6	5.9	10.1	3.9
Northern Plains	13.9	16.3	8.4	10.5	4.0
Appalachian	7.2	7.2	4.8	2.3	1.0
Southeast	7.1	7.4	7.9	5.8	3.1
Delta States	7.9	10.9	6.5	6.9	4.1
Southern Plains	9.0	5.9	6.9	5.5	2.1
Mountain States	10.1	15.5	9.1	6.6	2.5
Pacific States	10.3	10.8	5.5	6.0	3.2
United States	11.1	11.6	6.6	7.3	3.0

Source: Farm Costs and Returns Survey, 1984, and Farm Production Expenditure Survey, 1983, USDA.

Figure 4

Percent of Farms by Region and Debt/Asset Category, January 1, 1985



DISTRIBUTION OF FARM OPERATOR DEBT BY DEBT/ASSET RATIO

A large proportion of outstanding farm operator debt is owed by farmers in the highly leveraged and very highly leveraged categories (table 7). Nationally, 29 percent of debt was owed by operators with debt/asset ratios above 70 percent on January 1, 1985, compared with about 24 percent a year earlier. An additional 32.9 percent of the debt was owed by operators with debt/asset ratios of 40–70 percent, about the same percentage as a year earlier.

The largest farms have the largest proportion of debt in the highly and very highly leveraged categories (table 7). About 66 percent of the debt owed by operators with a debt/asset ratio over 70 percent is owed by operators with sales over $100,000; in 1984, these highly leveraged farms owed about 63 percent of that debt. Farm operators with sales over $100,000 also accounted for two-thirds of the debt owed by operators with a debt/asset ratio of between 40 and 70 percent; a year earlier these operators held about 63 percent of that debt. For both debt/asset categories, debt was slightly more concentrated on large farms on January 1, 1985, than it had been a year earlier.

TABLE 7.—DISTRIBUTION OF DEBT OWED BY FARMS AT RISK, BY SALES CLASS, TYPE OF FARM, AND REGION, JANUARY 1, 1985

Item	Highly leveraged (debt/asset ratio of 40–70 percent)				Very highly leveraged (debt/asset ratio over 70 percent)			
	Percent of farm debt owed by class		Percent of total farm debt		Percent of farm debt owed by class		Percent of total farm debt	
	1984	1985	1984	1985	1984	1985	1984	1985
Sales class:								
$500,000 and over	30.2	31.5	4.8	5.3	30.1	37.3	4.9	6.3
$250,000 to 499,999	28.7	34.3	5.1	5.8	23.8	27.6	4.2	4.7
$100,000 to 249,000	36.0	36.0	10.5	10.8	20.4	27.9	5.9	8.3
$50,000 to 99,999	35.3	33.6	6.2	6.4	21.9	28.1	3.9	5.4
$24,000 to 39,999	24.3	28.8	1.9	1.1	28.5	26.8	2.2	1.7
$10,000 to 29,999	29.6	27.0	3.9	1.6	23.5	31.0	2.6	1.2
Less than $10,000	36.9	24.4	(¹)	2.7	21.2	20.8	(¹)	1.4
All farms	32.5	32.9	32.5	32.9	23.7	29.0	23.7	29.0
Type of farm:								
Cash grain	33.4	34.9	(¹)	(¹)	20.8	27.7	(¹)	(¹)
Field crop	27.4	27.6	(¹)	(¹)	31.4	22.9	(¹)	(¹)
Vegetable and melon	27.2	29.3	(¹)	(¹)	34.6	36.0	(¹)	(¹)
Fruit and tree nut	17.8	27.2	(¹)	(¹)	17.5	38.7	(¹)	(¹)
Nursery	35.9	31.2	(¹)	(¹)	(²)	29.1	(¹)	(¹)
General crop	26.9	25.9	(¹)	(¹)	25.9	38.6	(¹)	(¹)
General livestock	32.1	31.9	(¹)	(¹)	23.1	27.1	(¹)	(¹)
Dairy	36.9	37.9	(¹)	(¹)	26.4	29.5	(¹)	(¹)
Poultry	28.1	34.1	(¹)	(¹)	52.9	36.3	(¹)	(¹)
Other livestock	48.9	27.0	(¹)	(¹)	10.3	8.9	(¹)	(¹)
All farms	32.5	32.9	(¹)	(¹)	23.7	29.0	(¹)	(¹)
Region:								
Northeast	40.7	28.4	(¹)	(¹)	17.9	23.5	(¹)	(¹)
Lake States	36.8	33.5	(¹)	(¹)	26.5	29.8	(¹)	(¹)
Corn Belt	36.0	35.5	(¹)	(¹)	15.6	31.3	(¹)	(¹)
Northern Plains	34.3	37.0	(¹)	(¹)	25.9	25.8	(¹)	(¹)
Appalachian	24.1	34.4	(¹)	(¹)	25.6	14.7	(¹)	(¹)
Southeast	28.3	25.2	(¹)	(¹)	35.6	37.3	(¹)	(¹)
Delta States	26.6	38.0	(¹)	(¹)	38.0	27.8	(¹)	(¹)
Southern Plains	24.8	24.5	(¹)	(¹)	27.3	33.4	(¹)	(¹)
Mountain States	28.4	32.9	(¹)	(¹)	24.3	22.6	(¹)	(¹)
Pacific States	29.1	28.9	(¹)	(¹)	22.5	36.9	(¹)	(¹)
United States	32.5	32.9	(¹)	(¹)	23.7	29.0	(¹)	(¹)

[1] Data not presently available.
[2] Data not available due to disclosure rules.

Operators of poultry and egg, dairy, fruit, vegetable, and general crop farms reported the highest proportion of debt on farms with debt/asset ratios over 40 percent. And, general crop and fruit farms have the highest proportion of farms with debt over 70 percent of assets. Altogether, over one-third of poultry and egg farm debt was held by highly leveraged farms: another third of poultry and egg farm debt was held by farms with debt/asset ratios over 70 percent. However, in previous studies, poultry and egg farms have shown average cash shortfalls only for debt/asset ratios over 70 percent. Dairy farms also had large proportions of debt (67 percent) in the highly leveraged or very highly leveraged categories; in previous studies, dairy farms also have shown average cash shortfalls only at high to very high debt/asset ratios. More than 65 percent of the debt owed by vegetable, fruit, and general crop farms was owed by the highly leveraged and very highly leveraged farms. Cash grain farms and about 62 percent of their debt owed by farm operators with debt/asset ratios over 40 percent.

The Southeast, Southern Plains, Pacific, and Corn Belt showed the highest proportion of debt owed by operators with debt/asset ratios over 70 percent. Two-thirds of operator debt owed by farmers in the Corn Belt, Delta, and Pacific regions was owed by farms with debt/asset ratios in excess of 40 percent.

CASH FLOW ANALYSIS

Survey data were used to estimate the availability of farm and nonfarm cash income to pay for cash production expenses, the interest and principal on outstanding debt, and family living needs. The analysis assumes that all net cash operating income and all off-farm income would be used to repay debt and provide for family living needs. A cash flow (surplus or shortfall) was estimated for each farm within each category by subtracting family living needs and principal repayment estimates from total available cash income. In addition, an estimate of the proportion of farms with a negative cash flow was determined within each category.

Cash flow by size of farm

Farm with sales of less then $40,000 as a group showed a negative cash flow after paying off cash expenses (including interest on debt), even farms with very low levels of debt (app. table 5). Smaller farms offset farm operating losses with off-farm earnings, which averaged $17,000–$20,000 per farm. Off-farm earnings tended to provide a cushion to cover farm business losses, provide for family living, and service outstanding debt. But even substantial levels of off-farm income were not enough to offset the estimated principal repayments and family living expenses for the most highly leveraged farms with sales of less than $40,000.

Farmers and ranchers with sales between $40,000 and $99,999 also could not cover, on average, all estimated principal repayments and family living expenses, leaving an estimated average negative cash flow of about $3,000 per farm. But over half the farmers and ranchers in this category were estimated to have a cash surplus. Over 60 percent of the low-leveraged farms in this sales class (debt/asset ratio less than 40 percent) were estimated to be able to pay all production expenses, provide for family living expenses, and service debt.

Farmers with sales between $100,000 and $499,999, on average, were estimated to have positive cash balances. Within this group, as sales increased, debt/asset ratios increased, and so, too, did cash shortfalls. In the $100,000–$249,999 category, only very highly leveraged farms were unable to meet family living expenses. Unlike smaller farms, farms with sales from $250,000–$499,999 tended to generate enough cash to cover family living expenses. However, these larger farms could not necessarily meet both family living expenses and estimated principal repayments. Farms with sales between $100,000 and $499,999 and a debt/asset ratio less than 40 percent were able to meet cash commitments and generate a positive cash flow.

Farms with sales over $500,000 showed the least financial difficulty. Although 40 percent of these farms were estimated to have cash shortfalls in 1984, only farms that were technically insolvent showed a substantial cash shortfall. Even then, only a little over half of the farms and ranches with sales over $500,000 and debts in excess of assets were estimated to have cash shortfalls.

Cash flow by farm type

Vegetable, melon, and nursery operators showed the largest average cash balance among crop producers (app. table 6). Vegetable and melon farms generated earnings above estimated cash commitments of about $24,000 per farm; nurseries generated about $22,000. Off-farm income accounted for about a third of the average cash income available to vegetable and melon farmers. Off-farm earnings contributed, on average, about 60 percent of the cash available to nursery operations to make principal payments and meet family living expenses. Even the most highly leveraged vegetable and nursery operations generated enough cash from all sources to show a positive cash flow.

Cash grain and field crop farms, as a group, showed positive cash flow. Most of these farms generated enough income from their farm operation to cover production expenses, including interest payments, but the highly leveraged farms could not provide a family living allowance and repay their debt. For both farm types, the largest cash shortfalls were for operations with a debt/asset ratio of 70–100 percent. Cash grain and field crop farms with debts less than 40 percent of assets generated an estimated cash flow of 4–5 percent of assets. As a group, about 40 percent of cash grain farms and 50 percent of field crop farms showed a negative cash flow after accounting for debt repayment and family living expenses. About two-thirds of the most highly leveraged cash grain farms had a negative cash flow.

Poultry and egg farms showed positive cash flow. Poultry farms had the highest cash flow and the largest ratio of cash balance to assets, on average, of any farm type analyzed. Only technically insolvent poultry operations were unable to generate a positive cash flow. Overall, 31 percent of poultry farms showed a negative cash flow.

Over 50 percent of the dairy farms showed a negative cash flow. Dairy farms with debts less than 40 percent of assets were estimated to be able to meet cash commitments without difficulty. Highly leveraged dairy farms generated enough cash from farm and nonfarm sources to cover all cash production expenses including interest payments, but estimated family living and debt repayment allowances could not be covered. About 85 percent of dairy operations indicating insolvency or a very highly leveraged position showed a negative cash flow.

General livestock operations showed financial conditions similar to those of dariy farms. About half of livestock farms showed zero or a negative cash flow. Livestock operations differd from dairy operations in that smaller net cash margins were generated from farm sources and larger amounts of cash were available from nonfarm sources. Cash shortfall rose with the amount of debt.

Cash flow by region

Northeast farm operations, on average, generated enough cash to just about cover all current expense commitments (app. table 7). Farms with a relatively strong financial position and those that are technically insolvent generated positive cash balances, while farms with debts betweeen 40 and 100 percent of assets had cash shortfalls. Both the technically insolvent and the low-leveraged farms had higher net operating margins from farming and larger off-farm incomes than did farms with debt/asset ratios of 40–100 percent. This situation may be partically the result of the most highly leveraged farms in the Northeast being nursery, vegetable and melon, fruit, and dairy farms. Smaller farm operations also tended to have relatively large off-farm incomes compared with their net farm operating margin. Both dairy and fruit and tree nut farms showed negative cash flow with debt/asset ratios above 40 percent.

Lake States farms showed a small positive cash flow as a group. However, farms with debt/asset ratios over 40 percent had negative cash flow. The proportion of farms with a negative cash flow increased with the debt/asset ratio. Cash grain, vegetable and melon, general crop, dairy, and poultry farms were the most highly leveraged farm types in the Lake States (app. table 2). And, more than a tenth of farms in all sales classes from $40,000 up were very highly leveraged. These highly leveraged farm types are also consistent with the low operating margins and relatively low off-farm incomes available to help meet family living and debt repayment allowances observed for the Lake States. Almost three-fourths of Lake States farms with debt/asset ratios less than 40 percent were able to generate a positive cash flow.

Corn Belt farms, on average, also generated a positive cash flow. As in the Lake States, about three-fifths of farms with debts less than 40 percent of assets were able to meet all commitments. Farmers with debt/asset ratios greater than 40 percent had negative cash flows. All groups of farms, including the most highly leveraged farms, were estimated to generate enough cash to cover the family living allowance and a portion of their debt repayments. The proporation of Corn Belt farmers with negative net cash flow rose with the debt/ratio. Highly leveraged Corn Belt farmers generally had relatively small operating margins and less off-farm income. Dairy, cash grain, poultry, vegetable and melon, and livestock farms were the most highly leveraged farms in the Corn Belt.

Northern Plains farmers were, on average, generating just enough cash to cover cash commitments, including debt repayment and family living allowances (app. table 7). As with Corn Belt farmers, farmers with debts less than 40 percent of assets had a positive cash flow. The most highly leveraged farms in the Northern Plains included cash grain, dairy, livestock, and general crop farms. These farm types had relatively low to negative cash flow for the more highly leveraged operations, mirroring results obtained for the region. Off-farm income per farm was also lower in this region, placing more pressure on farm earnings.

Southern Plains farmers did not, on average, generate enough income from the farm to cover operating expenses including interest (app. table 7). But, farms in this region did have a high enough off-farm income, on average, to generate a positive cash flow. This relationship of farm to off-farm income held primarily for farms with debt/asset ratios of less than 40 percent. Off-farm earnings were not sufficient to offset farm operating losses of the highly leveraged and technically insolvent operators. Field crop and dairy farmers were the most highly leveraged farm types in the Southern Plains. For the region, more than two-thirds of highly leveraged operators had a negative cash flow.

Delta farmers had enough cash earnings, on average, to just cover debt repayments and family living allowances. Two-thirds of the farms in this region were estimated to have a negative cash flow (app. table 7). Farms with debt/asset ratios above 40 percent, on average, did not earn enough cash to cover expenses and the debt service and family living allowance. Cash grain, field crop, vegetable and melon, and general crop farms, the most highly leveraged farms in this region, tended to generate small cash operating margins. These small margins, combined with relatively low levels of off-farm income, explain the small amounts of cash available to support family living and debt repayment.

Southeast farmers had a small average cash flow due in part to relatively high off-farm incomes (app. table 7). Farmers with debt levels above 40 percent did not, on average, have enough cash available to meet family living expenses and debt repayments.

Mountain and Pacific farms with sales over $100,000 (especially those with sales over $500,000) were the most highly leveraged. These were primarily cash grain, vegetable, nursery, dairy, and poultry farms. Farmers in the Mountain region, on average, just covered all cash commitments while farmers in the Pacific region generated a small cash flow. In both regions, farmers with debts over 40 percent of assets showed negative cash flows. About half of the farmers in both regions had cash shortfalls.

FINANCIAL LEVERAGE AND CASH SHORTFALLS

The cash flow analysis of farms by size, type, and location discussed in the previous section provides information about farms in the most difficult financial position at the beginning of 1985. A farm in financial stress is defined here as having both a negative cash flow and a debt/asset ratio over 40 percent. Operators with debt/asset ratios less than 40 percent account for 75 percent of farms with cash shortfalls (table 8). Also, more than 75 percent of the farms with cash shortfalls and debt/asset ratios less than 40 percent have less than $40,000 in sales. However, these small, low-leverage farms with cash shortfalls generally have a strong balance sheet with debts averaging 5–8 percent of assets. Nevertheless, cash shortfalls in any business must be financed either by selling assets or increasing leverage by borrowing funds. Generally, while farmers with debts below 40 percent of assets may face cash flow difficulties, these problems do not appear to be related to their balance sheet.

For other debt/asset categories, farms with sales of less than $40,000 also make up a sizable proportion of the number of farms with financial stress. These small farms combine high debts and cash shortfalls.

For farms in all sales categories, over 12 percent (214,000) are likely encountering a significant amount of financial difficulty—not earning enough cash from all sources to meet all current production expenses, current interest and principal commitments, and family living allowance—and are also highly leveraged to technically insolvent (table 9 and fig. 5). These farms account for about 20 percent of the farms with a cash shortfall, and hold about 45 percent of operator debt.

TABLE 8.—ASSETS, DEBTS HELD BY FARMS WITH NEGATIVE CASH FLOW BY SALES, FARM TYPE, AND REGION [1]

[In percent]

Item	Debt/asset ratio											
	More than 100 pct:			70 to 100 pct:			40 to 70 pct:			less than 40 pct:		
	Percent of U.S. farms	Percent of farm assets	Percent of farm debt	Percent of U.S. farms	Percent of farm assets	Percent of farm debt	Percent of U.S. farms	Percent of farm assets	Percent of farm debt	Percent of U.S. farms	Percent of farm assets	Percent of farm debt
Sales class:												
$500,000 and over	0.1	0.4	3.0	0.1	0.4	1.5	0.2	1.3	3.1	0.4	3.3	2.2
$250,000 to 499,999	.1	.2	1.3	.3	.6	2.3	.4	1.4	3.3	.7	2.8	2.7
$100,000 to 249,999	.4	.4	2.7	.7	1.1	3.9	1.6	3.1	7.5	2.7	5.9	4.6
$40,000 to 99,999	.6	.3	1.9	.9	.7	2.8	2.1	2.1	5.2	5.0	7.1	4.3
$20,000 to 39,999	.4	.1	.9	.4	.2	.6	1.1	.7	1.8	5.1	4.0	2.0
$10,000 to 19,999	.3	.1	.5	.4	.2	.6	.6	.3	.7	5.2	3.2	1.1
less than $10,000	.3	.1	.4	.5	.1	.5	1.1	.3	.8	18.7	8.4	1.6
Type of farm:												
Cash grain	.7	.5	2.9	.9	1.0	3.7	1.8	2.7	6.9	6.2	6.1	4.4
Field crop	.1	.1	.5	.2	.1	.5	.4	.3	.8	3.8	2.1	1.0
Vegetable and melon	.03	.03	.2	.06	.1	.2	.1	.1	.3	.5	.4	.2
Fruit and nut	.1	.1	.7	.04	.1	.4	.2	.3	.6	1.1	1.2	.7
Nursery	.1	([2])	.02	([2])	([2])	([2])	.03	.04	.1	.6	.3	.1
General crop	.3	.3	2.0	.3	.2	.9	.7	.7	1.7	7.2	5.5	2.2
General livestock	.6	.4	2.5	.9	.9	3.3	2.2	2.8	6.8	14.2	14.6	6.6
Dairy	.3	.2	1.4	.7	.8	3.1	1.5	1.9	4.6	3.0	3.2	2.4
Poultry and egg	.04	.02	.5	.08	.1	.2	.2	.1	.3	.3	.2	.1
Other livestock	.04	.01	.06	.01	.02	.07	.2	.1	.2	.9	1.0	1.7
Region:												
Northeast	.2	.1	.3	.1	.1	.3	.4	.4	1.0	3.8	3.3	1.4
Lake States	.4	.2	1.4	.7	.8	2.8	1.3	1.5	3.7	3.6	2.9	2.2
Corn Belt	.5	.4	2.4	.9	.8	3.1	1.8	2.3	5.5	6.7	5.0	3.1
Northern Plains	.3	.1	.9	.6	.5	2.0	1.1	1.6	4.0	3.2	3.5	2.8
Appalachian	.1	.03	.2	.1	.1	.4	.5	.4	.9	5.8	2.9	1.0
Southeast	.2	.1	.9	.1	.1	.4	.3	.3	.8	2.3	2.0	.8
Delta States	.2	.1	.6	.1	.1	.4	.4	.6	1.4	2.7	1.9	.8
Southern Plains	.2	.2	1.0	.3	.3	1.3	.4	.5	1.2	5.3	5.6	1.9
Mountain States	.1	.1	.9	.1	.2	.7	.5	.8	1.9	2.1	4.2	2.7
Pacific	.1	.2	2.1	.1	.3	1.0	.4	.8	1.9	2.1	3.5	1.7
United States	2.2	1.6	10.7	3.2	3.3	12.4	7.2	9.2	22.3	37.8	34.8	18.4

[1] Source: Farm Costs and Returns Survey, 1984, USDA.

[2] Less than 0.005 percent.

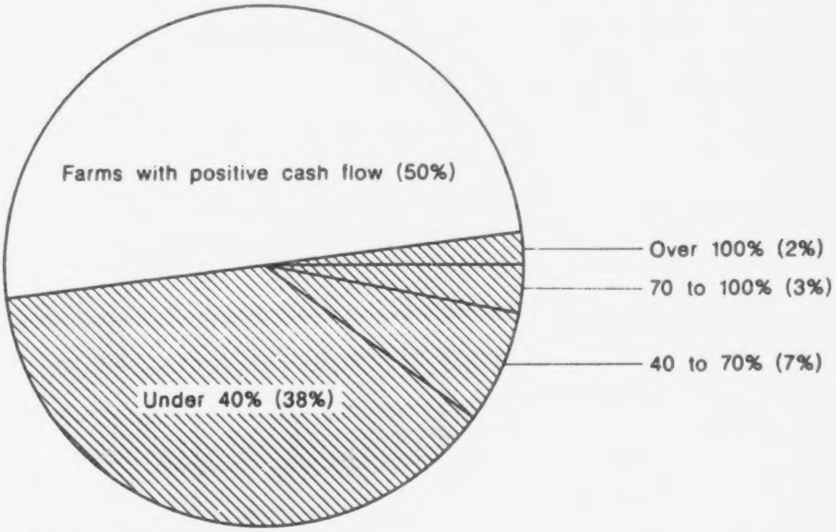
TABLE 9—U.S. FARMS WITH NEGATIVE OR ZERO CASH BALANCE, BY DEBT/ASSET RATIO

Item	Over 100% d/a		70 to 100% d/a		40 to 70% d/a		Less than 40% d/a	
	Percent of U.S. farms	Number of farms	Percent of U.S. farms	Number of farms	Percent of U.S. farms	Number of U.S. farms	Percent of U.S. farms	Number of U.S. farms
Sales class:								
$$500,000 and over	0.1	973	0.1	1,250	0.2	3,221	0.4	6,688
$250,000 to 499,999	.1	2,378	.3	4,248	.4	7,550	.7	11,940
$100,000 to 249,999	.4	7,528	.7	12,515	1.7	27,173	2.7	44,884
$40,000 to 99,999	.6	10,657	.9	15,669	2.1	35,678	5.0	84,264
$20,000 to 39,999	.4	7,264	.4	6,095	1.1	19,020	5.1	86,771
$10,000 to 19,999	.3	4,416	.4	5,921	.6	9,439	5.2	88,493
Less than $10,000	.3	4,820	.5	8,930	1.1	19,030	18.7	315,439
Type of farm:								
Cash grain	.7	12,212	.9	15,873	1.8	30,713	6.2	104,492
Field crop	.1	1,788	.2	2,667	4	6,470	3.8	64,333
Vegetable and melon	.03	480	.01	973	.1	2,159	.5	8,488
Fruit and tree nut	.1	987	.04	704	.2	2,562	1.1	18,245
Nursery	.1	891	([1])	40	.03	462	.6	9,419
General crop	.3	5,227	.3	4,942	.7	11,324	7.2	121,246
General livestock	.6	10,751	.9	15,619	2.2	37,335	14.2	240,624
Dairy	.3	4,410	.7	12,237	1.5	24,895	3.0	51,009
Poultry	.04	594	.08	1,349	.2	2,635	.3	5,406
Other livestock	.04	696	.01	226	1.5	2,553	.9	15,217
Region:								
Northeast	.2	2,929	.1	2,097	.4	6,735	3.8	64,993
Lake States	.4	6,272	.7	12,100	1.3	22,751	3.6	61,316
Corn Belt	.5	9,153	.9	14,957	1.8	29,629	6.7	113,286
Northern Plains	.3	5,195	.6	9,828	1.1	19,400	3.2	54,807
Appalachian	.1	2,132	.1	2,276	.5	9,128	5.8	97,984
Southeast	.2	2,590	.1	1,341	.3	5,443	2.3	39,485
Delta States	.2	2,857	.1	2,091	.4	6,732	2.7	46,433
Southern Plains	.2	2,900	.3	5,757	.4	6,114	5.3	89,031
Mountain States	.1	1,574	.1	2,189	.5	8,759	2.1	36,253
Pacific States	.1	2,436	.1	1,993	.4	6,407	2.1	34,891
All U.S. farms	2.2	38,035	3.2	54,628	7.2	121,110	37.8	638,479

[1] Less than 0.005 percent.

Figure 5

Percentage of Farms by Cash Flow and Debt/Asset Ratio, January 1985



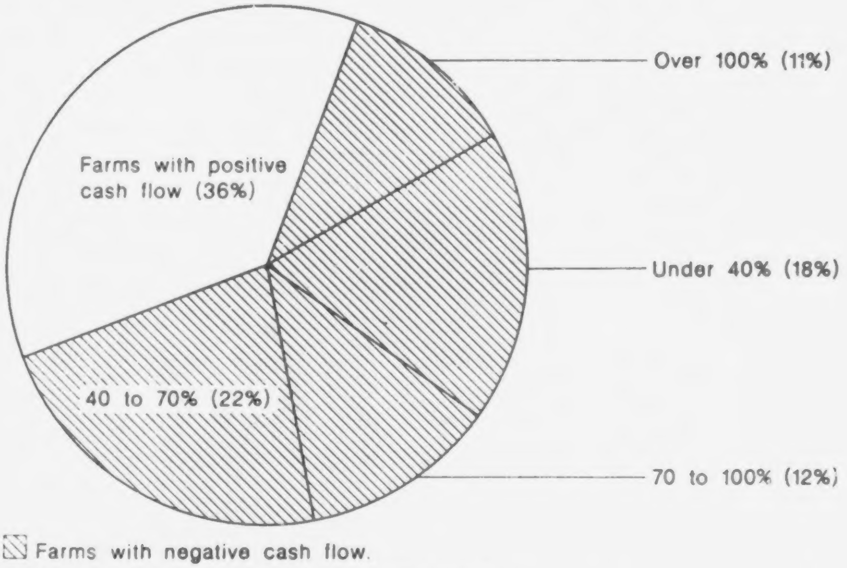
▧ Farms with negative cash flow.

Debt/asset ratios shown only for farms with negative cash flow.

Three percent of farms were classified as being technically involvent (debts greater than assets), but only 73 percent of these farms (2.2 percent of total farms) had cash shortfalls. The technically insolvent farms with cash shortfalls (about 38,000 farms) held 10.7 percent of operator debt and 1.6 percent of assets. Most of this debt (nearly nine-tenths of it) is held by 22,000 farms with sales in excess of $40,000 (fig. 6).

Figure 6

Percentage of Debt Held by Farms, by Cash Flow and Debt/Asset Ratio, January 1985



Debt/asset ratios shown only for farms with negative cash flow

Farms with debt/asset ratios between 70 and 100 percent accunted for 4.3 percent of all farms; about 75 percent of them (3.2 percent of total) also had cash shortfalls. These farms (about 55,000) held 12.4 percent of debt and 3.3 percent of assets. Farms with sales below $40,000 accounted for more than a third of these farms and a tenth of that debt.

Farms with debts between 40 and 70 percent of assets and cash shortfalls accounted for about 7 percent of all farms (121,000 farms). These farms held about 22 percent of all farm debt and 9 percent of all farm assets. Nearly 40 percent of the farms in this group had sales of less than $40,000; these smaller farms held abut 3 percent of that debt.

Type of farm

Cash grain, general livestock, and dairy farmers dominate U.S. farms with a negative cash flow and debt/asset ratio above 40 percent (table 8). They comprise about two-thirds of the technically insolvent farms and four-fifths of the very highly leveraged farms. At lower debt/asset ratios, field crop and general crop farms account for a larger number of farms with a negative cash flow. Cash grain and general lilvestock farms each accounted for about 30 percent of farms with debt/asset ratios above 40 percent and with a cash shortfall.

Cash grain and general livestock farms also accounted for apporximately 60 percent of the debt held by farms in financial stress. Dairy operations were responsible for much of the remaining debt and number of farms.

Regional distribution of financial stress

The Corn Belt, Lake States, and Northern Plains had the largest share of farms with high leverage or insolvent positions and cash shortfalls (table 8). Those three regions contain abut half the farms that are technically insolvent, two-thirds of those with debt/asset ratios between 70 and 100 percent, and over half with debt/asset ratios of 40–70 percent. The Corn Belt, Appalachian, and Southern Plains regions have the largest share of farms with low leverage. The Corn Belt, Lake States, and Northern Plains account for about 60 percent of the debt held by farms with debt/asset ratios between 40 and 100 percent and cash shortfalls. Debt is, however, fairly evenly spread among regions for farms with debt/asset ratios of less than 40 percent and evidencing cash shortfalls.

APPENDIX TABLE 1.—SELECTED U.S. CHARACTERISTICS BY SALES CLASS, 1984

Item	$500,000 and over	$250,000 to $499,999	$100,000 to $249,999	$40,000 to $99,999	$20,000 to $39,999	$10,000 to $19,999	Less than $10,000	All U.S. farms
	Acres per farm							
Total acres operated	5,766	2,344	1,431	1,007	579	287	129	727
Acres operated excluding AUM land [1]	3,473	1,674	1,050	702	419	245	116	523
Acres harvested	1,089	745	457	260	130	72	21	191
Acres planted:								
Wheat	289	168	109	66	31	15	3	45
Corn	252	187	114	55	29	13	3	44
Soybeans	182	178	96	47	25	12	2	37
	Percent of total							
U.S. farms	1.8	4.1	13.6	18.1	11.8	11.5	39.2	100.0
U.S. farms, cash receipts	27.0	19.2	28.6	16.3	4.4	2.2	2.2	100.0
U.S. nonfarm income earned by farm operators and immediate family	1.6	2.8	8.9	10.6	15.1	12.3	48.6	100.0

[1] AUM—Animal units per month: Number of animals that can be fed on a given unit of land.

APPENDIX TABLE 2—MOST COMMON FARM TYPES WITHIN EACH PRODUCTION REGION

Region	Farm type		
	Primary	Secondary	Tertiary
Northeast	Dairy (31.2)	General crop (21.3) [1]	General livestock (12.3)
Lake States	Dairy (30.7)	General livestock (25.3)	Cash grain (31.2)
Corn Belt	Cash grain (40.8)	General livestock (37.0)	Dairy (8.1)
Northern Plains	Cash grain (45.4)	General livestock (40.0)	Dairy (6.8)
Appalachian	Field crop (36.5)	General livestock (34.8)	General crop (10.0)
Southeast	General livestock (28.2)	General crop (25.0)	Cash grain (15.5)
Delta	General livestock (42.3)	Cash grain (20.5)	General crop (20.2)
Southern Plains	General Livestock (52.1)	General crop (21.4)	Cash grain (12.0)
Mountain	General livestock (40.2)	Cash grain (24.5)	General crop (12.2)
Pacific	Fruit (28.9)	General livestock (27.3)	General crop (13.5)

[1] Numbers in parentheses are the percent of total farms within the region.

APPENDIX TABLE 3—DISTRIBUTION OF OPERATORS BY PRIMARY OCCUPATION AND SALES CLASS

[In percent]

Occupation	Sales class							Percent of all operators
	$500,000 and over	$250,000 to $499,999	$100,000 to $249,999	$40,000 to $99,999	$20,000 to $39,999	$10,000 to $19,999	Less than $10,000	
Farming:								
Row percent [1]	2.39	5.87	19.99	24.94	13.42	9.88	23.50	
Column percent [2]	83.85	91.48	93.11	86.98	72.02	54.50	37.93	63.24
Hired manager:								
Row percent [1]	16.91	15.11	16.48	15.14	18.34	9.75	8.26	
Column percent [2]	8.77	3.48	1.13	.78	1.45	.79	.20	.93
Other:								
Row percent [1]	.37	.57	2.18	6.19	8.72	14.31	67.65	
Column percent [2]	7.38	5.04	5.76	12.24	26.53	44.70	61.87	35.83

[1] The row percentages add to 100; each cell is the percent of farm operators in each sales class having the particular attribute.

[2] The column percentages add to 100; each cell is the percent of farmers of a particular sales class with the shown primary occupation.

APPENDIX TABLE 4—FARMS WITHIN EACH REGION BY SALES CLASS AND DEBT/ASSET RATIO, JANUARY 1, 1985

[In percent]

Region	Over $500,000 debt/asset		$250,000-$499,999 debt/asset		$100,000-$249,000 debt/asset		$40,000-$99,999 debt/asset		$20,000-$39,999 debt/asset		$10,000-$19,999 debt/asset	
	Over 70 percent	40-70 percent	Over 70 percent	40 to 70 percent	Over 70 percent	40-70 percent	Over 70 percent	40 to 70 percent	Over 70 percent	40 to 70 percent	Over 70 percent	40 to 70 percent
Northeast	6.4	10.6	11.1	26.5	8.6	16.0	3.0	10.7	16.2	7.6	(¹)	7.6
Lake States	14.8	35.1	18.9	18.0	13.2	28.6	16.2	15.9	7.5	16.3	5.3	9.9
Corn Belt	14.3	26.1	16.7	26.1	15.0	23.7	13.4	21.2	8.3	8.6	10.0	9.0
Northern Plains	24.0	21.8	10.6	26.2	11.5	26.2	12.2	18.1	9.7	8.5	10.9	11.1
Appalachian	1.2	38.1	24.4	15.0	4.7	11.7	5.8	13.8	1.1	11.9	.7	7.9
Southeast	13.3	11.5	10.7	13.6	12.1	12.9	4.2	15.9	16.7	1.5	1.9	2.6
Delta	10.8	14.0	11.4	31.6	15.2	20.3	19.1	16.5	17.1	21.7	2.5	15.9
Southern Plains	11.4	17.1	22.6	31.5	16.4	13.5	4.4	5.9	9.3	7.8	6.2	(¹)
Mountain	19.5	20.2	5.9	24.6	8.7	17.3	4.8	18.9	2.8	17.3	15.0	10.3
Pacific	21.5	16.8	14.2	23.4	13.8	6.8	5.8	18.0	2.9	5.4	12.7	13.1

[1] Less than 0.05 percent.

Appendix table 5—Sources and uses of cash income by sales class and debt/asset ratio, 1984 1/

Item	Over 100 %	70-100 %	40-70 %	0-40 %	All farms
			Sales over $500,000		
Number of farms	1,827	2,611	6,417	19,504	30,359
Percent of all farms	0.11%	0.16%	0.38%	1.17%	1.82%
			Dollars per farm		
Cash sales	1,439,640	1,154,779	1,018,502	888,202	971,860
+ Other cash income	70,808	59,783	70,597	42,360	51,539
= Gross farm income	1,510,448	1,214,561	1,089,099	930,562	1,023,399
- Operating expenses less interest	1,280,246	919,499	886,317	740,700	819,331
- Interest paid	201,989	121,006	119,051	44,994	76,634
= Net cash operating margin	28,213	174,057	83,731	144,869	127,435
+ Off-farm income	27,963	5,330	9,178	15,635	14,126
= Total cash available	56,176	179,387	92,909	160,504	141,561
- Family living expenses 2/	12,950	12,950	12,950	12,950	12,950
- Principal payments 3/	205,607	103,455	85,075	27,880	57,166
= Cash surplus or shortfall (Cash balance)	(166,365)	62,100	(7,091)	113,777	66,923
Total value of owned assets	1,516,403	1,485,297	1,895,790	2,316,702	2,108,065
Total value of debt	2,390,776	1,202,968	989,239	324,186	664,723
Debt/asset ratio	1.58	0.81	0.52	0.14	0.32
Debt as percent of U.S. debt	3.67%	2.64%	5.33%	5.31%	16.94%
Assets as percent of U.S. assets	0.51%	0.71%	2.24%	8.31%	11.76%
Cash balance as percent of cash sales	NA	5.00%	NA	13.00%	7.00%
Cash balance as percent of total assets	NA	4.00%	NA	5.00%	3.00%
Percentage of farms with negative or zero cash balance	53.00%	47.00%	50.00%	34.00%	40.00%
			Sales of $250,000-499,999		
Number of farms	3,993	6,118	16,184	42,284	68,578
Percent of all farms	0.24%	0.37%	0.97%	2.53%	4.11%
			Dollars per farm		
Cash sales	291,395	316,025	308,693	306,888	307,227
+ Other cash income	13,420	21,032	24,827	16,574	18,736
= Gross farm income	304,815	337,057	333,520	323,462	325,963
- Operating expenses less interest	236,002	261,740	245,603	239,373	242,642
- Interest paid	48,912	54,621	51,923	24,448	35,048
= Net cash operating margin	19,900	20,696	35,995	59,641	48,272
+ Off-farm income	15,570	4,048	6,997	13,335	11,141
= Total cash available	35,470	24,745	42,992	72,976	59,414
- Family living expenses 2/	12,950	12,950	12,950	12,950	12,950
- Principal payments 3/	48,667	47,596	37,291	15,822	25,636
= Cash surplus or shortfall (Cash balance)	(30,372)	(35,866)	(7,418)	42,967	19,774
Total value of owned assets	411,779	686,191	826,339	1,123,698	973,046
Total value of debt	565,901	553,443	433,622	183,981	298,090
Debt/asset ratio	1.37	0.81	0.52	0.16	0.31
Debt as percent of U.S. debt	1.90%	2.84%	5.89%	6.53%	17.16%
Assets as percent of U.S. assets	0.30%	0.77%	2.46%	8.73%	12.27%
Cash balance as percent of cash sales	NA	NA	NA	14.00%	6.00%
Cash balance as percent of total assets	NA	NA	NA	4.00%	2.00%
Percentage of farms with negative or zero cash balance	60.00%	69.00%	47.00%	28.00%	38.00%

See footnotes at end of table.

Appendix table 5—Sources and uses of cash income by sales class and debt/asset ratio, 1984 1/-continued

Item	Over 100 %	70-100 %	40-70 %	0-40 %	All farms
			Sales of $100,000-249,999		
Number of farms	10,391	17,583	47,411	153,870	229,255
Percent of all farms	0.62%	1.05%	2.84%	9.22%	13.73%
			Dollars per farm		
Cash sales	135,454	136,160	143,824	134,961	136,908
+ Other cash income	11,801	11,518	11,556	10,941	11,152
= Gross farm income	147,255	147,678	155,380	145,903	148,060
- Operating expenses less interest	117,400	116,417	111,411	103,490	106,750
- Interest paid	34,292	33,539	29,140	11,044	17,565
= Net cash operating margin	(4,438)	(2,278)	14,830	31,369	23,745
+ Off-farm income	4,156	8,044	8,058	11,826	10,409
= Total cash available	(281)	5,766	22,888	43,195	34,154
- Family living expenses 2/	12,950	12,950	12,950	12,950	12,950
- Principal payments 3/	30,434	29,545	23,352	7,214	13,317
= Cash surplus or shortfall (Cash balance)	(45,293)	(37,020)	(13,468)	22,466	7,401
Total value of owned assets	250,953	427,610	515,204	639,109	579,670
Total value of debt	353,806	343,546	271,539	83,880	154,863
Debt/asset ratio	1.41	0.80	0.53	0.13	0.27
Debt as percent of U.S. debt	3.09%	5.07%	10.81%	10.84%	29.81%
Assets as percent of U.S. assets	0.48%	1.38%	4.49%	18.08%	24.43%
Cash balance as percent of cash sales	NA	NA	NA	17.00%	5.00%
Cash balance as percent of total assets	NA	NA	NA	4.00%	1.00%
Percentage of farms with negative or zero cash balance	69.00%	71.00%	57.00%	29.00%	40.00%
			Sales of $40,000-99,999		
Number of farms	13,982	18,540	51,285	222,143	305,949
Percent of all farms	0.84%	1.11%	3.07%	13.31%	18.33%
			Dollars per farm		
Cash sales	55,430	57,441	63,001	58,033	58,711
+ Other cash income	7,312	6,139	5,869	5,942	6,004
= Gross farm income	62,742	63,580	68,870	63,974	64,715
- Operating expenses less interest	61,043	55,503	58,654	46,440	49,704
- Interest paid	15,057	16,837	16,022	5,558	8,430
= Net cash operating margin	(13,358)	(8,760)	(5,806)	11,976	6,581
+ Off-farm income	9,333	7,464	7,767	9,802	9,298
= Total cash available	(4,025)	(1,297)	1,961	21,778	15,879
- Family living expenses 2/	12,950	12,950	12,950	12,950	12,950
- Principal payments 3/	16,878	17,202	12,948	3,392	6,447
= Cash surplus or shortfall (Cash balance)	(33,933)	(31,471)	(23,938)	5,266	(3,647)
Total value of owned assets	143,610	236,299	282,566	392,056	352,910
Total value of debt	196,261	200,025	150,557	39,438	74,962
Debt/asset ratio	1.37	0.85	0.53	0.10	0.21
Debt as percent of U.S. debt	2.30%	3.11%	6.48%	7.36%	19.26%
Assets as percent of U.S. assets	0.37%	0.81%	2.66%	16.01%	19.85%
Cash balance as percent of cash sales	NA	NA	NA	9.00%	NA
Cash balance as percent of total assets	NA	NA	NA	1.00%	NA
Percentage of farms with negative or zero cash balance	76.00%	85.00%	70.00%	38.00%	48.00%

See footnotes at end of table.

Appendix table 5—Sources and uses of cash income by sales class and debt/asset ratio, 1984 1/—continued

Item	Over 100 %	70-100 %	40-70 %	0-40 %	All farms
			Sales of $20,000-39,999		
Number of farms	8,011	8,328	20,708	161,413	198,460
Percent of all farms	0.48%	0.50%	1.24%	9.67%	11.89%
			Dollars per farm		
Cash sales	24,575	27,328	24,435	24,592	24,690
+ Other cash income	2,772	3,924	4,363	3,152	3,295
= Gross farm income	27,347	31,252	28,798	27,744	27,985
- Operating expenses less interest	30,343	28,564	28,647	24,564	25,391
- Interest paid	10,288	10,372	10,428	2,643	4,088
= Net cash operating margin	(13,285)	(7,684)	(10,277)	536	(1,495)
+ Off-farm income	9,310	9,900	11,510	22,603	20,376
= Total cash available	(3,975)	2,216	1,234	23,139	18,881
- Family living expenses 2/	12,950	12,950	12,950	12,950	12,950
- Principal payments 3/	11,908	10,012	9,293	1,822	3,353
= Cash surplus or shortfall (Cash balance)	(28,834)	(20,956)	(21,098)	8,288	2,496
Total value of owned assets	101,785	144,610	208,046	256,239	240,292
Total value of debt	138,469	116,423	108,054	21,191	38,985
Debt/asset ratio	1.36	0.81	0.52	0.08	0.16
Debt as percent of U.S. debt	0.93%	0.81%	1.88%	2.87%	6.50%
Assets as percent of U.S. assets	0.15%	0.22%	0.79%	7.60%	8.77%
Cash balance as percent of cash sales	NA	NA	NA	34.00%	10.00%
Cash balance as percent of total assets	NA	NA	NA	3.00%	1.00%
Percentage of farms with negative or zero cash balance	91.00%	73.00%	92.00%	53.00%	60.00%
			Sales of $10,000-19,999		
Number of farms	5,820	6,581	15,623	165,063	193,086
Percent of all farms	0.35%	0.39%	0.94%	9.89%	11.57%
			Dollars per farm		
Cash sales	13,459	12,770	12,462	12,667	12,678
+ Other cash income	2,097	2,109	1,447	2,268	2,191
= Gross farm income	15,556	14,879	13,909	14,935	14,869
- Operating expenses less interest	16,516	21,809	17,354	14,700	15,212
- Interest paid	8,009	10,107	7,177	1,662	2,587
= Net cash operating margin	(8,969)	(17,037)	(10,622)	(1,427)	(2,930)
+ Off-farm income	14,141	14,969	24,356	16,575	17,077
= Total cash available	5,172	(2,068)	13,733	15,148	14,146
- Family living expenses 2/	12,950	12,950	12,950	12,950	12,950
- Principal payments 3/	9,540	10,628	7,042	1,020	2,092
= Cash surplus or shortfall (Cash balance)	(17,318)	(25,646)	(6,452)	1,088	(988)
Total value of owned assets	86,440	155,011	151,684	201,711	192,598
Total value of debt	110,930	123,584	81,882	11,862	24,321
Debt/asset ratio	1.28	0.80	0.54	0.06	0.13
Debt as percent of U.S. debt	0.54%	0.68%	1.07%	1.64%	3.94%
Assets as percent of U.S. assets	0.09%	0.19%	0.44%	6.12%	6.84%
Cash balance as percent of cash sales	NA	NA	NA	9.00%	100.00%
Cash balance as percent of total assets	NA	NA	NA	1.00%	100.00%
Percentage of farms with negative or zero cash balance	76.00%	87.00%	60.00%	53.00%	56.00%

See footnotes at end of table.

Appendix table 5—Sources and uses of cash income by sales class and debt/asset ratio, 1984 1/–continued

Item	Over 100 %	70-100 %	40-70 %	0-40 %	All farms
			Sales of less than $10,000		
Number of farms	6,185	12,069	36,577	588,787	643,618
Percent of all farms	0.37%	0.72%	2.19%	35.27%	38.56%
			Dollars per farm		
Cash sales	4,140	4,741	3,776	3,812	3,830
+ Other cash income	689	333	519	615	605
= Gross farm income	4,829	5,073	4,296	4,427	4,436
- Operating expenses less interest	11,763	11,304	7,655	6,923	7,093
- Interest paid	9,475	4,793	4,693	867	1,241
= Net cash operating margin	(16,408)	(11,024)	(8,053)	(3,363)	(3,899)
+ Off-farm income	27,198	15,371	25,237	19,324	19,662
= Total cash available	10,790	4,347	17,184	15,961	15,763
- Family living expenses 2/	12,950	12,950	12,950	12,950	12,950
- Principal payments 3/	11,542	5,674	4,228	612	1,017
= Cash surplus or shortfall (Cash balance)	(14,000)	(14,926)	(768)	1,941	1,318
Total value of owned assets	71,891	80,134	94,351	140,473	136,061
Total value of debt	134,211	65,982	49,168	7,111	11,827
Debt/asset ratio	1.87	0.82	0.52	0.05	0.09
Debt as percent of U.S. debt	0.70%	0.67%	1.51%	3.52%	6.39%
Assets as percent of U.S. assets	0.08%	0.18%	0.63%	15.20%	16.10%
Cash balance as percent of cash sales	NA	NA	NA	51.00%	34.00%
Cash balance as percent of total assets	NA	NA	NA	1.00%	1.00%
Percentage of farms with negative or zero cash balance	78.00%	73.00%	48.00%	52.00%	52.00%

1/ Amounts in parentheses are negative. NA = not applicable.

2/ Family living expenses are estimated as the 1983 median family income for nonmetropolitan counties minus the implicit rental value of the farm dwelling and minus income tax due.

3/ Principal payments are estimated to be 8.6 percent of outstanding debt. Assumes debt is 50 percent real estate debt with 20 years remaining and 50 percent intermediate-term debt amortized over 5 years.

Appendix table 6—Sources and uses of cash income by type of farm and debt/asset ratio, 1984 1/

Item	Over 100 %	70-100 %	40-70 %	0-40 %	All farms
			Cash grain farms		
Number of farms	17,846	22,918	54,919	302,483	398,165
Percent of all farms	1.07%	1.37%	3.29%	18.12%	23.85%
			Dollars per farm		
Cash sales	92,771	83,387	112,010	63,962	72,999
+ Other cash income	10,763	10,239	13,402	8,213	9,160
= Gross farm income	103,534	93,626	125,412	72,176	82,159
- Operating expenses less interest	77,541	75,757	81,066	44,262	52,642
- Interest paid	23,066	24,074	26,635	6,317	10,892
= Net cash operating margin	2,926	(6,205)	17,711	21,597	18,624
+ Off-farm income	9,182	12,450	11,270	13,784	13,154
= Total cash available	12,108	6,245	28,981	35,380	31,777
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	21,926	22,135	20,657	4,020	8,160
= Cash surplus or shortfall (Cash balance)	(22,768)	(28,840)	(4,626)	18,410	10,668
Total value of owned assets	190,495	318,142	450,333	362,712	364,513
Total value of debt	254,949	257,381	240,193	46,742	94,881
Debt/asset ratio	1.34	0.81	0.53	0.13	0.26
Debt as percent of U.S. debt	3.82%	4.95%	11.08%	11.87%	31.72%
Assets as percent of U.S. assets	0.63%	1.34%	4.55%	20.17%	26.68%
Cash balance as percent of cash sales	NA	NA	NA	29.00%	15.00%
Cash balance as percent of total assets	NA	NA	NA	5.00%	3.00%
Percentage of farms with negative or zero cash balance	68.00%	69.00%	56.00%	35.00%	41.00%
			Field crop farms		
Number of farms	3,222	3,013	12,445	132,649	151,328
Percent of all farms	0.19%	0.18%	0.75%	7.95%	9.07%
			Dollars per farm		
Cash sales	108,751	61,650	87,452	35,283	41,662
+ Other cash income	11,470	11,246	10,587	3,690	4,573
= Gross farm income	120,221	72,896	98,039	38,973	46,236
- Operating expenses less interest	96,441	65,264	81,163	28,134	34,688
- Interest paid	19,815	16,515	14,193	3,238	4,757
= Net cash operating margin	3,964	(8,884)	2,684	7,601	6,791
+ Off-farm income	15,136	7,831	13,370	14,946	14,679
= Total cash available	19,100	(1,053)	16,053	22,547	21,470
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	21,273	16,356	11,404	1,924	3,402
= Cash surplus or shortfall (Cash balance)	(15,123)	(30,359)	(8,301)	7,674	5,117
Total value of owned assets	161,195	233,288	258,981	216,412	219,073
Total value of debt	247,359	190,189	132,607	22,367	39,564
Debt/asset ratio	1.53	0.82	0.51	0.1	0.18
Debt as percent of U.S. debt	0.67%	0.48%	1.39%	2.49%	5.03%
Assets as percent of U.S. assets	0.10%	0.13%	0.59%	5.28%	6.09%
Cash balance as percent of cash sales	NA	NA	NA	22.00%	12.00%
Cash balance as percent of total assets	NA	NA	NA	4.00%	2.00%
Percentage of farms with negative or zero cash balance	55.00%	89.00%	52.00%	48.00%	50.00%

See footnotes at end of table 5.

Appendix table 6—Sources and uses of cash income by type of farm and debt/asset ratio, 1984 1/—continued

Item	Over 100 %	70-100 %	40-70 %	0-40 %	All farms
			Vegetable and melon farms		
Number of farms	800	1,164	3,514	20,391	25,868
Percent of all farms	0.05%	0.07%	0.21%	1.22%	1.55%
			Dollars per farm		
Cash sales	750,656	338,650	169,413	137,728	170,017
+ Other cash income	11,386	7,616	8,053	3,836	4,812
= Gross farm income	762,041	346,267	177,467	141,563	174,829
- Operating expenses less interest	581,757	289,364	142,095	107,356	134,927
- Interest paid	45,174	34,435	19,967	6,195	10,541
= Net cash operating margin	135,110	22,468	15,405	28,012	29,361
+ Off-farm income	11,527	14,743	11,085	15,830	15,003
= Total cash available	146,637	37,210	26,489	43,843	44,364
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	45,944	28,076	16,052	3,273	7,443
= Cash surplus or shortfall (Cash balance)	87,742	(3,816)	(2,513)	27,620	23,971
Total value of owned assets	367,223	394,835	358,205	342,484	347,739
Total value of debt	534,238	326,467	186,653	38,053	86,552
Debt/asset ratio	1.45	0.83	0.52	0.11	0.25
Debt as percent of U.S. debt	0.36%	0.32%	0.55%	0.65%	1.88%
Assets as percent of U.S. assets	0.05%	0.08%	0.23%	1.28%	1.65%
Cash balance as percent of cash sales	12.00%	NA	NA	20.00%	14.00%
Cash balance as percent of total assets	24.00%	NA	NA	8.00%	7.00%
Percentage of farms with negative or zero cash balance	60.00%	84.00%	61.00%	42.00%	47.00%
			Fruit and nut farms		
Number of farms	1,175	1,011	3,734	38,564	44,485
Percent of all farms	0.07%	0.06%	0.22%	2.31%	2.67%
			Dollars per farm		
Cash sales	242,176	193,137	140,518	62,596	76,848
+ Other cash income	14,422	7,621	13,829	4,426	5,552
= Gross farm income	256,598	200,758	154,346	67,022	82,400
- Operating expenses less interest	231,733	150,162	136,024	52,602	66,555
- Interest paid	31,111	71,929	33,817	4,779	9,438
= Net cash operating margin	(6,246)	(21,333)	(15,495)	9,641	6,407
+ Off-farm income	9,636	13,060	8,273	18,960	17,683
= Total cash available	3,390	(8,273)	(7,222)	28,601	24,090
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	71,817	56,587	26,721	3,240	8,235
= Cash surplus or shortfall (Cash balance)	(81,378)	(77,810)	(46,893)	12,411	2,905
Total value of owned assets	566,446	794,259	602,438	414,084	442,559
Total value of debt	835,087	657,987	310,709	37,671	95,755
Debt/asset ratio	1.47	0.83	0.52	0.09	0.22
Debt as percent of U.S. debt	0.82%	0.56%	0.97%	1.22%	3.58%
Assets as percent of U.S. assets	0.12%	0.15%	0.41%	2.94%	3.62%
Cash balance as percent of cash sales	NA	NA	NA	20.00%	4.00%
Cash balance as percent of total assets	NA	NA	NA	3.00%	1.00%
Percentage of farms with negative or zero cash balance	84.00%	70.00%	69.00%	47.00%	51.00%

See footnotes at end of table 5.

Appendix table 6—Sources and uses of cash income by type of farm and debt/asset ratio, 1984 1/—continued

Item	Over 100 %	70-100 %	40-70 %	0-40 %	All farms
			Nursery and greenhouse		
Number of farms	1,650	956	1,823	23,284	27,713
Percent of all farms	0.10%	0.06%	0.11%	1.40%	1.66%
			Dollars per farm		
Cash sales	114,894	105,527	189,411	74,109	85,206
+ Other cash income	0	0	434	114	126
= Gross farm income	114,894	105,527	189,845	74,222	85,330
- Operating expenses less interest	73,989	61,016	124,460	60,295	65,356
- Interest paid	8,285	9,938	15,694	2,337	3,832
= Net cash operating margin	32,621	34,574	49,691	11,591	16,142
+ Off-farm income	3,766	17,438	21,409	23,457	21,942
= Total cash available	36,387	52,012	71,100	35,048	38,084
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	6,622	13,944	14,279	1,423	3,010
= Cash surplus or shortfall (Cash balance)	16,815	25,118	43,871	20,675	22,124
Total value of owned assets	33,473	203,089	340,838	213,570	210,855
Total value of debt	77,004	162,139	166,034	16,541	34,997
Debt/asset ratio	2.3	0.8	0.49	0.08	0.17
Debt as percent of U.S. debt	0.11%	0.13%	0.25%	0.32%	0.81%
Assets as percent of U.S. assets	0.01%	0.04%	0.11%	0.91%	1.07%
Cash balance as percent of cash sales	15.00%	24.00%	23.00%	28.00%	26.00%
Cash balance as percent of total assets	50.00%	12.00%	13.00%	10.00%	10.00%
Percentage of farms with negative or zero cash balance	54.00%	4.00%	25.00%	40.00%	39.00%
			General crop farms		
Number of farms	5,904	5,530	15,605	158,089	185,127
Percent of all farms	0.35%	0.33%	0.94%	9.47%	11.09%
			Dollars per farm		
Cash sales	67,325	59,967	53,547	17,493	24,028
+ Other cash income	11,655	7,647	3,613	1,506	2,191
= Gross farm income	98,980	67,613	57,160	18,999	26,218
- Operating expenses less interest	117,789	63,375	61,445	27,076	33,950
- Interest paid	39,869	17,949	19,114	2,967	5,952
= Net cash operating margin	(58,679)	(13,711)	(23,399)	(11,044)	(13,684)
+ Off-farm income	26,681	7,282	20,513	13,340	14,190
= Total cash available	(31,997)	(6,430)	(2,886)	2,296	505
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	37,640	17,754	13,914	1,869	4,500
= Cash surplus or shortfall (Cash balance)	(90,040)	(40,351)	(33,029)	(16,255)	(20,742)
Total value of owned assets	271,514	249,934	306,429	249,843	255,307
Total value of debt	437,680	206,437	161,785	21,738	52,325
Debt/asset ratio	1.61	0.83	0.53	0.09	0.2
Debt as percent of U.S. debt	2.17%	0.96%	2.12%	2.89%	8.13%
Assets as percent of U.S. assets	0.30%	0.25%	0.88%	7.26%	8.69%
Cash balance as percent of cash sales	NA	NA	NA	NA	
Cash balance as percent of total assets	NA	NA	NA	NA	
Percentage of farms with negative or zero cash balance	82.00%	83.00%	63.00%	70.00%	70.00%

See footnotes at end of table 5.

Appendix table 6—Sources and uses of cash income by type of farm and debt/asset ratio, 1984 1/—continued

Item	Over 100 %	70-100 %	40-70 %	0-40 %	All farms
			General livestock farms		
Number of farms	12,904	20,227	54,378	503,236	590,744
Percent of all farms	0.77%	1.21%	3.26%	30.15%	35.39%
			Dollars per farm		
Cash sales	113,319	135,286	103,089	38,197	49,135
+ Other cash income	4,979	10,053	8,989	3,162	3,974
= Gross farm income	118,298	145,339	112,078	41,359	53,109
- Operating expenses less interest	110,311	115,383	101,596	37,575	47,721
- Interest paid	25,386	24,868	21,147	3,494	6,329
= Net cash operating margin	(17,399)	5,089	(10,665)	290	(940)
+ Off-farm income	12,432	9,268	16,360	21,748	20,621
= Total cash available	(4,967)	14,357	5,695	22,038	19,680
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	23,621	22,369	16,390	2,277	4,730
= Cash surplus or shortfall (Cash balance)	(41,537)	(20,962)	(23,645)	6,811	2,000
Total value of owned assets	208,172	315,054	363,675	328,090	328,300
Total value of debt	274,660	260,108	190,576	26,476	55,002
Debt/asset ratio	1.32	0.83	0.52	0.08	0.17
Debt as percent of U.S. debt	2.98%	4.42%	8.70%	11.19%	27.28%
Assets as percent of U.S. assets	0.49%	1.17%	3.64%	30.35%	35.65%
Cash balance as percent of cash sales	NA	NA	NA	18.00%	4.00%
Cash balance as percent of total assets	NA	NA	NA	2.00%	1.00%
Percentage of farms with negative or zero cash balance	83.00%	77.00%	69.00%	48.00%	52.00%
			Dairy farms		
Number of farms	5,235	14,313	37,551	122,595	179,693
Percent of all farms	0.31%	0.86%	2.25%	7.34%	10.77%
			Dollars per farm		
Cash sales	162,697	131,787	143,126	106,477	117,789
+ Other cash income	10,991	7,473	7,398	4,022	5,205
= Gross farm income	173,688	139,259	150,524	110,498	122,994
- Operating expenses less interest	143,969	109,666	113,207	80,243	91,332
- Interest paid	32,874	27,341	22,730	7,371	12,914
= Net cash operating margin	(3,156)	2,252	14,587	22,884	18,748
+ Off-farm income	10,293	5,207	5,401	6,112	6,013
= Total cash available	7,137	7,459	19,988	28,997	24,762
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	32,440	25,534	18,300	4,832	10,100
= Cash surplus or shortfall (Cash balance)	(38,253)	(31,025)	(11,262)	11,214	1,712
Total value of owned assets	262,461	368,667	407,807	409,186	401,396
Total value of debt	377,210	296,911	212,785	56,191	117,441
Debt/asset ratio	1.44	0.81	0.52	0.14	0.29
Debt as percent of U.S. debt	1.66%	3.57%	6.71%	5.78%	17.72%
Assets as percent of U.S. assets	0.25%	0.97%	2.82%	9.22%	13.26%
Cash balance as percent of cash sales	NA	NA	NA	11.00%	1.00%
Cash balance as percent of total assets	NA	NA	NA	3.00%	0.00%
Percentage of farms with negative or zero cash balance	84.00%	85.00%	66.00%	42.00%	52.00%

See footnotes at end of table 5.

Appendix table 6—Sources and uses of cash income by type of farm and debt/asset ratio, 1984 1/—continued

Item	Over 100 %	70-100 %	40-70 %	0-40 %	All farms
			Poultry and egg farms		
Number of farms	776	2,460	5,794	23,167	32,198
Percent of all farms	0.05%	0.15%	0.35%	1.39%	1.93%
			Dollars per farm		
Cash sales	454,385	411,287	298,402	222,138	255,915
+ Other cash income	735	4,789	7,633	3,205	4,064
= Gross farm income	455,120	416,076	306,035	225,343	259,978
- Operating expenses less interest	419,614	339,694	250,033	175,392	207,267
- Interest paid	20,698	15,216	15,987	4,480	7,762
= Net cash operating margin	14,808	61,165	40,015	45,471	44,949
+ Off-farm income	1,041	8,109	13,225	15,341	14,063
= Total cash available	15,849	69,274	53,240	60,812	59,012
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	64,464	15,379	14,232	3,084	7,510
= Cash surplus or shortfall (Cash balance)	(61,565)	40,944	26,058	44,778	38,552
Total value of owned assets	181,670	231,891	309,330	241,604	251,605
Total value of debt	749,577	178,830	165,491	35,865	87,321
Debt/asset ratio	4.13	0.77	0.53	0.15	0.35
Debt as percent of U.S. debt	0.49%	0.37%	0.81%	0.70%	2.36%
Assets as percent of U.S. assets	0.03%	0.11%	0.33%	1.03%	1.49%
Cash balance as percent of cash sales	NA	10.00%	9.00%	20.00%	15.00%
Cash balance as percent of total assets	NA	18.00%	8.00%	19.00%	15.00%
Percentage of farms with negative or zero cash balance	77.00%	55.00%	45.00%	23.00%	31.00%
			Other livestock farms		
Number of farms	696	239	4,443	28,608	33,986
Percent of all farms	0.04%	0.01%	0.27%	1.71%	2.04%
			Dollars per farm		
Cash sales	21,275	96,787	38,325	38,455	38,496
+ Other cash income	353	9,175	4,494	5,374	5,183
= Gross farm income	21,628	105,962	42,818	43,829	43,679
- Operating expenses less interest	21,112	110,766	48,923	50,486	50,103
- Interest paid	8,466	33,222	10,901	4,080	5,266
= Net cash operating margin	(7,949)	(38,026)	(17,005)	(10,737)	(11,691)
+ Off-farm income	0	28,550	25,018	25,112	24,609
= Total cash available	(7,949)	(9,476)	8,013	14,375	12,919
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	8,308	32,771	9,274	3,415	4,488
= Cash surplus or shortfall (Cash balance)	(29,207)	(55,197)	(14,211)	(1,990)	(4,519)
Total value of owned assets	80,458	481,330	188,543	307,044	288,137
Total value of debt	96,600	381,059	107,835	39,714	52,181
Debt/asset ratio	1.2	0.79	0.57	0.13	0.18
Debt as percent of U.S. debt	0.06%	0.08%	0.40%	0.95%	1.49%
Assets as percent of U.S. assets	0.01%	0.02%	0.15%	1.62%	1.80%
Cash balance as percent of cash sales	NA	NA	NA	NA	NA
Cash balance as percent of total assets	NA	NA	NA	NA	NA
Percentage of farms with negative or zero cash balance	100.00%	95.00%	57.00%	53.00%	55.00%

See footnotes at end of table 5.

Appendix table 7—Sources and uses of cash income by region and debt/asset ratio, 1984 1/

Item	Over 100 %	70-100 %	40-70 %	0-40 %	All farms
			Northeast		
Number of farms	3,696	2,816	10,529	103,869	120,910
Percent of all farms	0.22%	0.17%	0.63%	6.22%	7.24%
			Dollars per farm		
Cash sales	103,969	161,177	127,413	62,201	71,462
+ Other cash income	5,510	2,378	4,276	2,483	2,729
= Gross farm income	109,479	163,555	131,688	64,684	74,191
- Operating expenses less interest	76,373	143,164	117,056	53,625	61,929
- Interest paid	17,850	15,765	17,259	3,472	5,399
= Net cash operating margin	15,256	4,625	(2,627)	7,587	6,863
+ Off-farm income	29,595	3,119	8,940	11,152	11,336
= Total cash available	44,851	7,745	6,312	18,740	18,199
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	21,317	18,406	14,953	2,552	4,575
= Cash surplus or shortfall (Cash balance)	6,100	(23,929)	(21,834)	2,297	(299)
Total value of owned assets	149,907	265,330	341,384	300,679	298,791
Total value of debt	247,877	214,026	173,868	29,673	53,193
Debt/asset ratio	1.65	0.81	0.51	0.1	0.18
Debt as percent of U.S. debt	0.77%	0.51%	1.54%	2.59%	5.40%
Assets as percent of U.S. assets	0.10%	0.14%	0.66%	5.74%	6.64%
Cash balance as percent of cash sales	6.00%	NA	NA	4.00%	100.00%
Cash balance as percent of total assets	4.00%	NA	NA	1.00%	100.00%
Percentage of farms with negative or zero cash balance	79.00%	74.00%	64.00%	62.00%	63.00%
			Lake States		
Number of farms	7,099	14,027	33,878	157,617	212,621
Percent of all farms	0.43%	0.84%	2.03%	9.44%	12.74%
			Dollars per farm		
Cash sales	68,794	102,660	90,083	55,454	64,531
+ Other cash income	5,250	7,272	6,469	3,754	4,468
= Gross farm income	74,044	109,933	96,552	59,207	68,999
- Operating expenses less interest	75,020	90,577	74,456	43,027	52,240
- Interest paid	22,721	25,314	18,938	5,347	9,410
= Net cash operating margin	(23,696)	(5,958)	3,157	10,834	7,350
+ Off-farm income	9,910	6,845	12,676	15,893	14,583
= Total cash available	(13,786)	887	15,833	26,726	21,933
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	22,595	23,058	16,073	3,750	7,616
= Cash surplus or shortfall (Cash balance)	(49,961)	(35,253)	(13,491)	9,788	1,113
Total value of owned assets	193,676	337,643	346,827	296,374	303,707
Total value of debt	262,737	268,120	186,899	43,599	88,560
Debt/asset ratio	1.36	0.79	0.54	0.15	0.29
Debt as percent of U.S. debt	1.57%	3.16%	5.32%	5.77%	15.81%
Assets as percent of U.S. assets	0.25%	0.87%	2.16%	8.59%	11.87%
Cash balance as percent of cash sales	NA	NA	NA	18.00%	2.00%
Cash balance as percent of total assets	NA	NA	NA	3.00%	100.00%
Percentage of farms with negative or zero cash balance	88.00%	86.00%	67.00%	38.00%	48.00%

See footnotes at end of table 5.

Appendix table 7—Sources and uses of cash income by region and debt/asset ratio, 1984 1/—continued

Item	Over 100 %	70-100 %	40-70 %	0-40 %	All farms
			Corn Belt		
Number of farms	13,523	22,145	51,295	266,940	353,904
Percent of all farms	0.81%	1.33%	3.07%	15.99%	21.20%
			Dollars per farm		
Cash sales	95,305	97,587	108,847	56,139	67,869
+ Other cash income	3,353	6,921	6,171	3,452	4,059
= Gross farm income	98,657	104,509	115,019	59,590	71,928
- Operating expenses less interest	73,014	80,533	82,295	42,074	51,492
- Interest paid	21,634	20,231	21,567	4,605	8,692
= Net cash operating margin	4,009	3,744	11,157	12,911	11,743
+ Off-farm income	11,352	11,276	12,182	14,245	13,649
= Total cash available	15,361	15,020	23,339	27,156	25,393
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	21,467	20,496	16,805	3,036	6,828
= Cash surplus or shortfall (Cash balance)	(19,055)	(18,504)	(6,472)	10,994	5,469
Total value of owned assets	187,440	289,862	366,414	283,512	292,254
Total value of debt	249,611	238,322	195,412	35,298	79,398
Debt/asset ratio	1.33	0.82	0.53	0.12	0.27
Debt as percent of U.S. debt	2.83%	4.43%	8.42%	7.91%	23.59%
Assets as percent of U.S. assets	0.47%	1.18%	3.46%	13.91%	19.01%
Cash balance as percent of cash sales	NA	NA	NA	20.00%	8.00%
Cash balance as percent of total assets	NA	NA	NA	4.00%	2.00%
Percentage of farms with negative or zero cash balance	65.00%	67.00%	56.00%	42.00%	46.00%
			Northern Plains		
Number of farms	7,284	11,691	28,997	131,580	179,552
Percent of all farms	0.44%	0.70%	1.74%	7.88%	10.76%
			Dollars per farm		
Cash sales	82,634	114,255	110,424	66,517	77,370
+ Other cash income	18,341	13,209	18,351	9,702	11,678
= Gross farm income	100,975	127,463	128,775	76,219	89,048
- Operating expenses less interest	84,017	86,046	100,499	54,006	64,818
- Interest paid	20,706	26,390	25,275	6,817	11,636
= Net cash operating margin	(3,748)	15,027	3,001	15,397	12,594
+ Off-farm income	8,725	8,255	10,594	9,286	9,407
= Total cash available	4,977	23,282	13,595	24,683	22,001
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	19,604	20,960	19,158	4,250	8,368
= Cash surplus or shortfall (Cash balance)	(27,761)	(10,684)	(18,677)	7,284	500
Total value of owned assets	172,231	294,730	415,602	383,291	374,180
Total value of debt	227,954	243,715	222,771	49,418	97,308
Debt/asset ratio	1.32	0.83	0.54	0.13	0.26
Debt as percent of U.S. debt	1.39%	2.39%	5.42%	5.46%	14.67%
Assets as percent of U.S. assets	0.23%	0.63%	2.22%	9.27%	12.35%
Cash balance as percent of cash sales	NA	NA	NA	11.00%	1.00%
Cash balance as percent of total assets	NA	NA	NA	2.00%	0.00%
Percentage of farms with negative or zero cash balance	71.00%	84.00%	65.00%	41.00%	49.00%

See footnotes at end of table 5.

Appendix table 7—Sources and uses of cash income by region and debt/asset ratio, 1984 1/—continued

Item	Over 100 %	70-100 %	40-70 %	0-40 %	All farms
			Appalachia		
Number of farms	2,267	3,025	16,171	208,174	229,637
Percent of all farms	0.14%	0.18%	0.97%	12.47%	13.76%
			Dollars per farm		
Cash sales	50,808	158,738	117,506	28,967	37,127
+ Other cash income	341	6,358	3,331	1,763	1,920
= Gross farm income	51,149	165,096	120,836	30,730	39,047
- Operating expenses less interest	46,922	143,199	86,475	23,928	30,130
- Interest paid	12,784	18,460	14,582	2,060	3,264
= Net cash operating margin	(8,557)	3,437	19,779	4,742	5,653
+ Off-farm income	10,108	7,146	16,200	16,094	15,925
= Total cash available	1,551	10,584	35,978	20,836	21,577
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	10,892	16,803	10,816	1,243	2,218
= Cash surplus or shortfall (Cash balance)	(22,292)	(19,169)	12,099	6,414	6,194
Total value of owned assets	71,176	239,265	242,552	183,959	187,701
Total value of debt	126,656	195,384	125,772	14,459	25,789
Debt/asset ratio	1.78	0.82	0.52	0.08	0.14
Debt as percent of U.S. debt	0.24%	0.50%	1.71%	2.53%	4.97%
Assets as percent of U.S. assets	0.03%	0.13%	0.72%	7.04%	7.92%
Cash balance as percent of cash sales	NA	NA	10.00%	22.00%	17.00%
Cash balance as percent of total assets	NA	NA	5.00%	3.00%	3.00%
Percentage of farms with negative or zero cash balance	94.00%	75.00%	56.00%	47.00%	48.00%
			Southeast		
Number of farms	3,107	2,683	7,476	86,607	99,873
Percent of all farms	0.19%	0.16%	0.45%	5.19%	5.98%
			Dollars per farm		
Cash sales	135,392	233,544	111,680	59,938	70,821
+ Other cash income	12,077	3,839	6,473	1,913	2,623
= Gross farm income	147,469	237,383	118,153	61,851	73,444
- Operating expenses less interest	129,751	214,383	103,871	52,084	62,736
- Interest paid	31,020	20,104	17,730	3,206	5,612
= Net cash operating margin	(13,302)	2,896	(3,448)	6,561	5,096
+ Off-farm income	14,091	17,708	11,146	18,131	17,471
= Total cash available	788	20,604	7,698	24,692	22,566
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	32,093	22,394	14,444	1,858	4,292
= Cash surplus or shortfall (Cash balance)	(44,371)	(14,741)	(21,112)	9,244	4,659
Total value of owned assets	270,895	314,223	320,993	316,449	315,312
Total value of debt	373,175	260,400	167,951	21,602	49,908
Debt/asset ratio	1.38	0.83	0.52	0.07	0.16
Debt as percent of U.S. debt	0.97%	0.59%	1.05%	1.57%	4.19%
Assets as percent of U.S. assets	0.16%	0.16%	0.44%	5.04%	5.79%
Cash balance as percent of cash sales	NA	NA	NA	15.00%	7.00%
Cash balance as percent of total assets	NA	NA	NA	3.00%	1.00%
Percentage of farms with negative or zero cash balance	83.00%	50.00%	73.00%	45.00%	48.00%

See footnotes at end of table 5.

Appendix table 7—Sources and uses of cash income by region and debt/asset ratio, 1986 1/—continued

Item	Over 100 %	70-100 %	40-70 %	0-40 %	All farms
			Delta States		
Number of farms	3,665	2,569	9,836	73,877	89,945
Percent of all farms	0.22%	0.15%	0.59%	4.43%	5.39%
			Dollars per farm		
Cash sales	118,523	102,555	122,986	49,104	61,538
+ Other cash income	12,504	10,515	8,979	3,485	4,654
= Gross farm income	131,026	113,070	131,965	52,589	66,192
- Operating expenses less interest	114,658	97,911	105,740	41,891	53,438
- Interest paid	23,961	20,072	23,865	4,043	7,479
= Net cash operating margin	(7,592)	(4,914)	2,359	6,656	5,275
+ Off-farm income	2,533	6,645	7,410	15,505	13,838
= Total cash available	(5,060)	1,732	9,769	22,161	19,113
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	21,191	19,679	17,968	2,153	5,158
= Cash surplus or shortfall (Cash balance)	(39,913)	(32,084)	(21,830)	6,315	257
Total value of owned assets	166,344	275,681	403,262	262,895	274,675
Total value of debt	246,405	228,830	208,929	25,031	59,980
Debt/asset ratio	1.48	0.83	0.52	0.10	0.22
Debt as percent of U.S. debt	0.76%	0.49%	1.73%	1.55%	4.53%
Assets as percent of U.S. assets	0.11%	0.13%	0.73%	3.57%	4.54%
Cash balance as percent of cash sales	NA	NA	NA	13.00%	100.00%
Cash balance as percent of total assets	NA	NA	NA	2.00%	100.00%
Percentage of farms with negative or zero cash balance	77.00%	81.00%	68.00%	62.00%	64.00%
			Southern Plains		
Number of farms	4,214	6,791	11,718	177,335	200,058
Percent of all farms	0.25%	0.41%	0.70%	10.62%	11.99%
			Dollars per farm		
Cash sales	157,279	101,401	135,532	32,222	43,256
+ Other cash income	11,551	11,767	16,084	4,068	5,191
= Gross farm income	168,830	113,169	151,616	36,291	48,447
- Operating expenses less interest	176,645	103,641	143,863	38,770	50,032
- Interest paid	33,828	24,908	21,386	3,138	5,592
= Net cash operating margin	(41,644)	(15,380)	(13,633)	(5,618)	(7,177)
+ Off-farm income	15,343	12,540	22,755	30,812	29,394
= Total cash available	(26,300)	(2,840)	9,121	25,194	22,217
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	28,064	22,204	16,674	1,903	4,008
= Cash surplus or shortfall (Cash balance)	(67,761)	(39,210)	(20,677)	9,601	4,541
Total value of owned assets	241,252	324,569	384,406	358,788	356,652
Total value of debt	326,322	258,189	193,888	22,126	46,607
Debt/asset ratio	1.35	0.8	0.5	0.06	0.13
Debt as percent of U.S. debt	1.15%	1.47%	1.91%	3.29%	7.83%
Assets as percent of U.S. assets	0.19%	0.41%	0.83%	11.70%	13.12%
Cash balance as percent of cash sales	NA	NA	NA	30.00%	10.00%
Cash balance as percent of total assets	NA	NA	NA	3.00%	1.00%
Percentage of farms with negative or zero cash balance	68.00%	85.00%	52.00%	50.00%	51.00%

See footnotes at end of table 5.

Appendix table 7—Sources and uses of cash income by region and debt/asset ratio, 1984 1/—continued

Item	Over 100 %	70-100 %	40-70 %	0-40 %	All farms
			Mountain States		
Number of farms	2,265	3,356	14,024	69,232	88,877
Percent of all farms	0.14%	0.20%	0.84%	4.15%	5.32%
			Dollars per farm		
Cash sales	224,263	147,514	119,152	81,726	93,749
+ Other cash income	15,659	14,795	13,424	11,576	12,093
= Gross farm income	239,922	162,309	132,576	93,302	105,842
- Operating expenses less interest	222,552	118,648	107,720	69,948	81,637
- Interest paid	50,557	34,042	29,877	9,434	14,637
= Net cash operating margin	(33,188)	9,619	(5,021)	13,920	9,568
+ Off-farm income	16,592	12,769	12,436	13,534	13,410
= Total cash available	(16,596)	22,388	7,415	27,454	22,978
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	46,922	30,823	22,067	5,930	10,461
= Cash surplus or shortfall (Cash balance)	(77,423)	(21,502)	(28,068)	8,016	(970)
Total value of owned assets	396,451	440,771	504,714	637,463	602,946
Total value of debt	545,600	358,412	256,593	68,955	121,643
Debt/asset ratio	1.38	0.81	0.51	0.11	0.20
Debt as percent of U.S. debt	1.04%	1.01%	3.02%	4.01%	9.08%
Assets as percent of U.S. assets	0.17%	0.27%	1.30%	8.11%	9.85%
Cash balance as percent of cash sales	NA	NA	NA	10.00%	100.00%
Cash balance as percent of total assets	NA	NA	NA	1.00%	100.00%
Percentage of farms with negative or zero cash balance	69.00%	62.00%	63.00%	51.00%	54.00%
			Pacific States		
Number of farms	3,089	2,727	10,282	77,833	93,930
Percent of all farms	0.19%	0.16%	0.62%	4.66%	5.63%
			Dollars per farm		
Cash sales	444,608	305,029	198,184	91,250	120,780
+ Other cash income	13,488	18,030	15,127	5,337	7,045
= Gross farm income	458,096	323,059	213,311	96,587	127,825
- Operating expenses less interest	380,354	282,741	174,575	80,718	106,709
- Interest paid	57,626	59,395	36,190	6,583	13,035
= Net cash operating margin	20,116	(19,077)	2,546	9,286	8,081
+ Off-farm income	11,983	7,239	17,474	18,932	18,204
= Total cash available	32,099	(11,837)	20,021	28,218	26,285
- Family living expenses 1/	12,950	12,950	12,950	12,950	12,950
- Principal payments 2/	79,544	48,279	28,568	4,452	10,833
= Cash surplus or shortfall (Cash balance)	(65,121)	(73,418)	(21,806)	10,125	1,731
Total value of owned assets	501,281	682,453	634,507	495,341	516,202
Total value of debt	924,928	561,385	332,191	51,762	125,964
Debt/asset ratio	1.85	0.82	0.52	0.1	0.24
Debt as percent of U.S. debt	2.40%	1.29%	2.87%	3.38%	9.93%
Assets as percent of U.S. assets	0.29%	0.34%	1.20%	7.09%	8.91%
Cash balance as percent of cash sales	NA	NA	NA	11.00%	1.00%
Cash balance as percent of total assets	NA	NA	NA	2.00%	100.00%
Percentage of farms with negative or zero cash balance	79.00%	73.00%	61.00%	43.00%	47.00%

See footnotes at end of table 5.

APPENDIX B: WHO HOLDS THE DEBT?

The major lenders to farm operators are commercial banks, Federal Land Banks, individuals, and the Farmers Home Administration (FmHA) (app. table 8). Although commercial banks hold over 40 percent of nonreal estate debt, they also hold about 20 percent of real estate debt. These banks would be most affected by short-term cash shortfails and loan delinquency. The Farm Credit System (Federal Land Banks and Production Credit Associations) and the FmHA hold almost 60 percent of real estate debt and have been most affected by several years of declining land values. Individuals and others account for about half as much nonreal estate debt as the FCS and FmHA. Since information concerning the terms of these loans, or characteristics of lenders and borrowers, is not currently available, the amount of this debt at risk cannot be assessed.

APPENDIX C: RECONCILIATION OF 1985 FCRS DATA WITH PREVIOUS ESTIMATES

Earlier in 1985, estimates of numbers of farms experiencing financial stress were published in "The Current Financial Condition of Farmers and Farm Lenders," AIB-490, March 1985. The estimates published at that time consisted of projections of the gross number of farms by debt/asset ratio categories if cash flow shortfalls and asset value declines similar to 1983 were to recur in 1984. In AIB-490, no attempt was made to forecast the number of farmers that would likely leave farming in 1984; thus the forecast January 1, 1985, figures and the January 1, 1985, survey results should differ by the number of farmers that left the farm sector in 1984. App. table 9 compares current estimates of farms by debt/asset ratio category with those published in AIB-490.

Reconciliation of 1985 survey results with previous estimates shows:

Assuming: (1) that 3.6 percent of farms existed in 1984 (American Bankers Association estimate from June 1983 to June 1984), (2) that 2.6 percent were technically insolvent farms (ABA estimate) and the balance were very highly leveraged farms, and (3) that half of the exiting farms reentered as low-leverage farms, then 1984 exits were:

Technically insolvent farms:	56,800
Very highly leveraged farms:	21,800
Total existing farms:	78,600
Reentering farms (40 percent debt/asset ratios):	39,300

Subtracting these exists from the corresponding estimates in AIB-490, revised projections of net numbers of farms and residual errors in the 1985 projections would be as follows:

	1985 net estimate	Error residual	Percent of all farms
Technically insolvent farms	41,200	−9,000	−0.4
Very highly leveraged farms	87,200	+15,400	−.7
Highly leveraged farms	417,000	+223,000	+.2
Low leverage farms	1,601,000	−262,000	−12.0
Total	2,146,400	−31,000	−1.4

Therefore, the methods used in AIB-490 slightly underestimated the number of arms in the highest categories of financial stress but overestimated the number of farms with debt/asset ratios of 40 to 70 percent.

APPENDIX TABLE 8.—DISTRIBUTION OF FARM OPERATOR DEBT BY LENDER, JANUARY 1, 1985

Lender	Type of debt [1] (percent)		Total	Type of debt [2] (millions of dollars)		Total
	Secured by real estate	Not secured by real estate		Secured by real estate	Not secured by realestate	
Commercial banks	11.7	16.5	28.2	$14,049	$19,813	$33,862
Federal Land Banks	22.6	2.4	25.0	27,138	2,882	30,020
Production Credit Associations	3.6	6.3	9.9	4,323	7,565	11,888
Farmers Home Administration	9.7	3,8	13.5	11,648	4,563	16,211
Commodity Credit Corporation	.2	1.2	1.4	240	1,441	1,681
Merchants	.2	1.7	1.9	240	2,041	2,281
Individuals	10.0	4.3	14.3	12,008	5,163	17,171
Others	4.0	1.9	5.9	4,803	2,281	7,085
Total	62.0	38.1	100.0	74,449	45,749	120,198

[1] Derived from data reported on the 1984 FCRS—Expenditure version.

[2] Levels are derived from percentages in table 14 and total debt reported by farmers on the 1984 FCRS—all versions. Because of rounding this leads to a discrepancy of $120 million (0.1 percent) between total debt in this table and total debt on the 1984 FCRS—all versions.

APPENDIX TABLE 9.—RECONCILIATION OF ESTIMATES OF FARMS BY DEBT/ASSET RATIOS, 1984 FCRS

Financial stress category	Debt/asset ratio	FCRS,[1] 1985 survey		AIB-490, 1985 projected		Difference	
		Number of farms	Percent of debt	Number of farms	Percent of debt	Number of farms	Percent of debt
Technically insolvent farms	Over 100 percent	50,200	13.1	98,000	15.4	+47,800	+2.3
		(2.3%)		(4.6$)			
Very highly leveraged farms	70 to 100 percent	71,800	15.1	109,000	19.0	+37,200	+3.9
		(3.3%)		(2.6%)			
Highly leveraged farms	40 to 70 percent	194,000	32.9	417,000	31.6	+223,000	−1.3
		(8.9%)		(19.5%)			
Low leveraged farms	Less than 40 percent	163,000	38.2	1,562,000	34.0	−299,00	−4.2
		(85.5%)		(71.9%)			
Total		2,179,000	100.0	2,186,000	100.0	−7,000	

[1] The FCRS farms totaled 1.67 million farms. The discrepancy between this number of farms and the official estimates is approximately 500,000 farms. The undercounted farms would almost all be in the smallest size category and in the low leverage category. For comparability with AIB-490, the survey estimate of farms in the low leverage category has been increased by 510,000 farms, so that estimates of total farm numbers would be comparable.

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